

EMBARCADERO TECHNOLOGIES INC
Form 10-Q
November 10, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2003.

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 000-30293

EMBARCADERO TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

68-0310015

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(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

425 MARKET STREET, SUITE 425

SAN FRANCISCO, CA 94105

(415) 834-3131

(Address of principal executive offices)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Act). Yes No

The number of shares outstanding of the Registrant's Common Stock as of October 31, 2003 was 26,602,123.

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(in thousands, except par value)

(unaudited)

	September 30, 2003	December 31, 2002
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 39,080	\$ 15,870
Short-term investments	11,860	27,893
Trade accounts receivable, net	7,658	7,539
Prepaid expenses and other current assets	1,738	1,532
Deferred income taxes	489	489
	<u> </u>	<u> </u>
Total current assets	60,825	53,323
Property and equipment, net	2,884	3,587
Goodwill	10,337	10,337
Other intangible assets, net	894	1,500
Deferred income taxes	2,840	2,840
Other assets	4,276	5,128
	<u> </u>	<u> </u>
Total assets	\$ 82,056	\$ 76,715
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 261	\$ 379
Accrued liabilities	4,838	3,431
Deferred revenue	12,180	10,705
	<u> </u>	<u> </u>
Total current liabilities	17,279	14,515
	<u> </u>	<u> </u>
Stockholders Equity:		
Common stock, \$0.001 par value	27	27

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Treasury stock	(6,287)	(5,116)
Additional paid-in capital	76,011	75,858
Accumulated other comprehensive income	109	184
Deferred stock-based compensation	(56)	(598)
Accumulated deficit	(5,027)	(8,155)
	<u> </u>	<u> </u>
Total stockholders' equity	64,777	62,200
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 82,056	\$ 76,715
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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EMBARCADERO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues:				
License	\$ 6,864	\$ 6,648	\$ 19,632	\$ 20,260
Maintenance	6,290	5,403	18,175	16,212
Total revenues	13,154	12,051	37,807	36,472
Cost of revenues:				
License	168	125	373	409
Amortization of acquired technology	556	455	1,667	1,129
Maintenance	565	534	1,718	1,684
Total cost of revenues	1,289	1,114	3,758	3,222
Gross profit	11,865	10,937	34,049	33,250
Operating expenses:				
Research and development	3,987	3,525	11,793	10,815
Purchased research and development				1,100
Sales and marketing	4,602	4,915	14,341	14,409
General and administrative	1,263	1,370	3,873	4,119
Amortization of other intangible assets		385		1,155
Total operating expenses	9,852	10,195	30,007	31,598
Income from operations	2,013	742	4,042	1,652
Other income, net	79	143	364	499
Income before provision for income taxes and share in loss of joint venture	2,092	885	4,406	2,151
Provision for income taxes	(607)	(204)	(1,278)	(516)
Income before share in loss of joint venture	1,485	681	3,128	1,635
Share in loss of joint venture, net of income taxes				(423)
Net income	\$ 1,485	\$ 681	\$ 3,128	\$ 1,212

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Net income per share:				
Basic	\$ 0.06	\$ 0.03	\$ 0.12	\$ 0.04
Diluted	\$ 0.05	\$ 0.02	\$ 0.11	\$ 0.04
Weighted average shares used in per share calculation:				
Basic	26,525	27,225	26,553	27,197
Diluted	28,458	28,879	28,289	29,184
Non-cash stock-based compensation included in the above expenses:				
Cost of revenues	\$	\$	\$	\$ 2
Research and development	55	6	61	27
Sales and marketing	60	171	242	629
General and administrative	55	271	302	1,026
	\$ 170	\$ 448	\$ 605	\$ 1,684

The accompanying notes are an integral part of these condensed consolidated financial statements.

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EMBARCADERO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

Nine Months

**Ended September
30,**

2003 2002

Cash Flows from Operating Activities: