

SABA SOFTWARE INC
Form 10-Q
April 09, 2008
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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 February 29, 2008

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

For the transition period from to .

000-30221

(Commission File number)

SABA SOFTWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

94-3267638
(I.R.S. Employer
Identification No.)

2400 Bridge Parkway

Redwood Shores, California
(Address of principal executive offices)

94065-1166
(Zip Code)

(650) 581-2500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has 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 such 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-Accelerated filer ☐

Smaller reporting company ☐

(do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On March 31, 2008, 29,123,162 shares of the registrant's Common Stock, \$.001 par value, were outstanding.

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QUARTER ENDED FEBRUARY 29, 2008

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share data)**

| | February 29 2008 (Unaudited) | May 31, 2007* |
|---|---|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 14,975 | \$ 18,088 |
| Restricted cash | 500 | 500 |
| Accounts receivable, net | 23,289 | 20,905 |
| Prepaid expenses and other current assets | 2,774 | 2,767 |
| Total current assets | 41,538 | 42,260 |
| Property and equipment, net | 5,126 | 3,669 |
| Goodwill | 38,293 | 38,293 |
| Purchased intangible assets, net | 13,405 | 16,414 |
| Other assets | 1,418 | 977 |
| Total assets | \$ 99,780 | \$ 101,613 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,294 | \$ 4,772 |
| Accrued compensation and related expenses | 5,803 | 5,746 |
| Accrued expenses | 4,856 | 5,949 |
| Deferred revenue | 29,918 | 27,886 |
| Current portion of debt and lease obligations | 933 | 2,664 |
| Total current liabilities | 44,804 | 47,017 |
| Deferred revenue | 2,249 | 1,598 |
| Other long term liabilities | 1,347 | |
| Accrued rent | 2,623 | 2,769 |
| Debt and lease obligations, less current portion | 362 | 2,328 |
| Total liabilities | 51,385 | 53,712 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, issuable in series: \$0.001 par value: | | |
| 5,000,000 authorized shares at February 29, 2008 and May 31, 2007; none issued or outstanding | | |
| Common stock, \$0.001 par value: | | |
| 50,000,000 authorized; 29,123,162 shares issued and outstanding at February 29, 2008 and 28,908,612 shares issued and outstanding at May 31, 2007 | 29 | 29 |
| Additional paid-in capital | 255,105 | 251,408 |

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| | | |
|---|---------------|----------------|
| Treasury stock: 102,997 shares at February 29, 2008 and May 31, 2007, at cost | (232) | (232) |
| Accumulated deficit | (206,565) | (203,333) |
| Accumulated other comprehensive income | 58 | 29 |
| Total stockholders' equity | 48,395 | 47,901 |
| Total liabilities and stockholders' equity | \$ 99,780 | \$ 101,613 |

* Derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year ended May 31, 2007 filed with the United States Securities and Exchange Commission.

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(Unaudited)**

| | Three months ended | | Nine months ended | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | February 29, 2008 | February 28, 2007 | February 29, 2008 | February 28, 2007 |
| Revenues: | | | | |
| License | \$ 6,000 | \$ 4,482 | \$ 16,434 | \$ 17,586 |
| License updates and product support | 8,483 | 8,262 | 26,250 | 22,968 |
| OnDemand | 4,583 | 4,258 | 13,512 | 11,591 |
| Professional services | 8,348 | 7,884 | 23,402 | 22,096 |
| Total revenues | 27,414 | 24,886 | 79,598 | 74,241 |
| Cost of revenues: | | | | |
| Cost of license | 210 | 207 | 631 | 983 |
| Cost of license updates and product support | 2,230 | 2,146 | 6,606 | 6,260 |
| Cost of OnDemand | 1,784 | 1,390 | 5,001 | 3,623 |
| Cost of professional services | 5,718 | 5,415 | 16,296 | 15,462 |
| Amortization of acquired developed technology | 295 | 295 | 883 | 884 |
| Total cost of revenues | 10,237 | 9,453 | 29,417 | 27,212 |
| Gross profit | 17,177 | 15,433 | 50,181 | 47,029 |
| Operating expenses: | | | | |
| Research and development | 4,060 | 3,930 | 12,282 | 12,679 |
| Sales and marketing | 8,489 | 9,322 | 28,193 | 27,875 |
| General and administrative | 3,608 | 2,660 | 10,698 | 8,797 |
| Amortization of purchased intangible assets | 634 | 634 | 1,903 | 1,903 |
| Total operating expenses | 16,791 | 16,546 | 53,076 | 51,254 |
| Income (loss) from operations | 386 | (1,113) | (2,895) | (4,225) |
| Interest income and other, net | 112 | 104 | 370 | 155 |
| Interest expense | (29) | (117) | (146) | (354) |
| Income (loss) before provision for income taxes | 469 | (1,126) | (2,671) | (4,424) |
| Provision for income taxes | (311) | (112) | (561) | (412) |
| Net income (loss) | \$ 158 | \$ (1,238) | \$ (3,232) | \$ (4,836) |
| Basic net income (loss) per share | \$ 0.01 | \$ (0.04) | \$ (0.11) | \$ (0.17) |
| Diluted net income (loss) per share | \$ 0.01 | \$ (0.04) | \$ (0.11) | \$ (0.17) |
| Shares used in computing basic net income (loss) per share | 29,102 | 28,662 | 29,002 | 28,461 |
| Shares used in computing diluted net income (loss) per share | 29,373 | 28,662 | 29,002 | 28,461 |

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See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(Unaudited)**

| | Nine months ended | |
|---|------------------------------|------------------------------|
| | February 29, 2008 | February 28, 2007 |
| Operating activities: | | |
| Net loss | \$ (3,232) | \$ (4,836) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,358 | 1,087 |
| Amortization of purchased intangible assets | 3,008 | 3,027 |
| Stock-based compensation expense | 2,481 | 1,557 |
| Loss on disposal of property and equipment | 1 | 23 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,110) | (317) |
| Prepaid expenses and other current assets | 36 | (98) |
| Other assets | (424) | 168 |
| Accounts payable | (1,518) | (2,578) |
| Accrued compensation and related expenses | (117) | (971) |
| Accrued expenses | 118 | (1,296) |
| Accrued rent | (145) | (50) |
| Deferred revenue | 2,673 | 4,939 |
| Net cash provided by operating activities | 2,129 | 655 |
| Investing activities: | | |
| Purchases of property and equipment | (2,788) | (1,756) |
| Net cash used in investing activities | (2,788) | (1,756) |
| Financing activities: | | |
| Proceeds from issuance of common stock under employee stock plans | 1,215 | 1,308 |
| Borrowings, under credit facility | | 5,193 |
| Repayments on borrowings under credit facility | (3,623) | (5,691) |
| Repayments on note payable | (74) | (134) |
| Net cash (used in) provided by financing activities | (2,482) | 676 |
| Effect of exchange rate changes on cash | | |