

SYNOPSIS INC  
Form 10-Q  
September 08, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(MARK ONE)

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

**FOR THE QUARTERLY PERIOD ENDED JULY 31, 2010**

**OR**

**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: 0-19807**

**SYNOPSIS, INC.**

(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**56-1546236**  
(I.R.S. Employer  
Identification Number)

**700 EAST MIDDLEFIELD ROAD**  
**MOUNTAIN VIEW, CA 94043**

(Address of principal executive offices, including zip code)

**(650) 584-5000**

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

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

As of September 3, 2010, there were 148,561,589 shares of the registrant's common stock outstanding.

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**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE FISCAL QUARTER ENDED JULY 31, 2010**  
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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SYNOPSYS, INC.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except par value amounts)**

	<b>July 31, 2010</b>	<b>October 31, 2009</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 883,441	\$ 701,613
Short-term investments	326,384	466,713
Total cash, cash equivalents and short-term investments	1,209,825	1,168,326
Accounts receivable, net of allowances of \$2,760 and \$3,587, respectively	148,582	127,010
Deferred income taxes	72,022	73,453
Income taxes receivable	26,568	51,191
Prepaid and other current assets	38,977	43,820
Total current assets	1,495,974	1,463,800
Property and equipment, net	139,102	146,910
Goodwill	1,002,531	932,691
Intangible assets, net	118,061	96,810
Long-term deferred income taxes	264,874	205,396
Other long-term assets	94,107	93,247
Total assets	\$ 3,114,649	\$ 2,938,854
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 240,407	\$ 255,095
Accrued income taxes	2,736	5,508
Deferred revenue	593,911	553,990
Total current liabilities	837,054	814,593
Long-term accrued income taxes	101,731	157,354
Other long-term liabilities	92,082	88,002
Long-term deferred revenue	33,972	34,739
Total liabilities	1,064,839	1,094,688
Stockholders' equity:		
Preferred Stock, \$0.01 par value: 2,000 shares authorized; none outstanding		
Common Stock, \$0.01 par value: 400,000 shares authorized; 147,537 and 146,945 shares outstanding, respectively	1,475	1,469
Capital in excess of par value	1,527,034	1,500,166
Retained earnings	758,727	574,980
Treasury stock, at cost: 9,728 and 10,326 shares, respectively	(213,637)	(228,618)
Accumulated other comprehensive loss	(23,789)	(3,831)

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Total stockholders' equity	2,049,810	1,844,166
Total liabilities and stockholders' equity	\$ 3,114,649	\$ 2,938,854

See accompanying notes to unaudited condensed consolidated financial statements.

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(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2010	2009	2010	2009
<b>Revenue:</b>				
Time-based license	\$ 286,563	\$ 285,622	\$ 847,710	\$ 860,613
Upfront license	14,650	17,751	47,811	46,129
Maintenance and service	35,716	41,804	109,681	115,025
<b>Total revenue</b>	<b>336,929</b>	<b>345,177</b>	<b>1,005,202</b>	<b>1,021,767</b>
<b>Cost of revenue:</b>				
License	43,996	44,173	130,140	128,288
Maintenance and service	14,697	17,410	46,475	48,037
Amortization of intangible assets	8,050	8,452	24,736	24,153
<b>Total cost of revenue</b>	<b>66,743</b>	<b>70,035</b>	<b>201,351</b>	<b>200,478</b>
<b>Gross margin</b>	<b>270,186</b>	<b>275,142</b>	<b>803,851</b>	<b>821,289</b>
<b>Operating expenses:</b>				
Research and development	105,649	104,989	319,931	305,792
Sales and marketing	83,812	77,973	242,791	237,877
General and administrative	27,371	27,735	81,937	83,608
In-process research and development		400		1,000
Amortization of intangible assets	2,561	2,956	8,339	9,683
<b>Total operating expenses</b>	<b>219,393</b>	<b>214,053</b>	<b>652,998</b>	<b>637,960</b>
<b>Operating income</b>	<b>50,793</b>	<b>61,089</b>	<b>150,853</b>	<b>183,329</b>
Other (expense) income, net	(3,046)	5,384	8,109	17,928
<b>Income before provision for income taxes</b>	<b>47,747</b>	<b>66,473</b>	<b>158,962</b>	<b>201,257</b>
Provision (benefit) for income taxes	8,420	19,037	(52,700)	53,104
<b>Net income</b>	<b>\$ 39,327</b>	<b>\$ 47,436</b>	<b>\$ 211,662</b>	<b>\$ 148,153</b>
<b>Net income per share:</b>				
Basic	\$ 0.27	\$ 0.33	\$ 1.43	\$ 1.04
Diluted	\$ 0.26	\$ 0.32	\$ 1.40	\$ 1.02
<b>Shares used in computing per share amounts:</b>				
Basic	148,006	144,138	147,909	143,093
Diluted	151,106	146,063	151,459	144,699

See accompanying notes to unaudited condensed consolidated financial statements.



**Table of Contents****SYNOPSYS, INC.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

	<b>Nine Months Ended July 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flow from operating activities:</b>		
Net income	\$ 211,662	\$ 148,153
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Amortization and depreciation	71,772	74,581
Stock compensation	45,214	42,799
Allowance for doubtful accounts	(851)	2,735
Write-down of long-term investments	468	6,333
Gain on sale of investments	(3,114)	(610)
Deferred income taxes	(31,297)	15,801
In-process research and development		1,000
<b>Net changes in operating assets and liabilities, net of acquired assets and liabilities:</b>		
Accounts receivable	(19,181)	10,690
Other current assets	(7,497)	4,915
Other long-term assets	(2,470)	(7,071)
Accounts payable and accrued liabilities	(21,270)	(62,358)
Income taxes	(31,445)	1,004
Deferred revenue	32,153	(62,723)
<b>Net cash provided by operating activities</b>	<b>244,144</b>	<b>175,249</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of short-term investments	352,124	223,994
Purchases of short-term investments	(209,564)	(310,323)
Purchases of long-term investments		(671)
Purchases of property and equipment	(27,593)	(24,634)
Cash paid for acquisitions and intangible assets, net of cash acquired	(137,681)	(48,248)
Capitalization of software development costs	(2,116)	(2,228)
<b>Net cash used in investing activities</b>		