

PROGRESS SOFTWARE CORP /MA

Form 10-Q

April 07, 2017

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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 February 28, 2017

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

Commission File Number: 0-19417

PROGRESS SOFTWARE CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 04-2746201
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
14 Oak Park
Bedford, Massachusetts 01730
(Address of principal executive offices)(Zip code)
Telephone Number: (781) 280-4000

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 “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

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 March 29, 2017, there were 48,080,525 shares of the registrant’s common stock, \$.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets

(In thousands, except share data)	February 28, 2017	November 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 226,907	\$ 207,036
Short-term investments	37,285	42,718
Total cash, cash equivalents and short-term investments	264,192	249,754
Accounts receivable (less allowances of \$1,045 and \$1,143, respectively)	48,905	65,678
Other current assets	23,841	20,621
Total current assets	336,938	336,053
Property and equipment, net	48,258	50,105
Intangible assets, net	73,970	80,827
Goodwill	278,132	278,067
Deferred tax assets	1,508	6,601
Other assets	2,325	3,174
Total assets	\$ 741,131	\$ 754,827
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 14,643	\$ 15,000
Accounts payable	9,491	12,991
Accrued compensation and related taxes	19,813	26,212
Dividends payable to shareholders	6,037	6,067
Income taxes payable	1,376	1,509
Other accrued liabilities	32,890	12,999
Short-term deferred revenue	136,919	128,960
Total current liabilities	221,169	203,738
Long-term debt	115,625	120,000
Long-term deferred revenue	10,032	8,801
Deferred tax liabilities	3,022	3,901
Other noncurrent liabilities	5,097	11,758
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized, 1,000,000 shares; issued, none	—	—
Common stock, \$0.01 par value, and additional paid-in capital; authorized, 200,000,000 shares; issued and outstanding, 48,295,815 shares in 2017 and 48,536,516 shares in 2016	239,759	239,496
Retained earnings	173,689	195,694
Accumulated other comprehensive loss	(27,262)	(28,561)
Total shareholders' equity	386,186	406,629
Total liabilities and shareholders' equity	\$ 741,131	\$ 754,827
See notes to unaudited condensed consolidated financial statements.		

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Condensed Consolidated Statements of Operations

(In thousands, except per share data)	Three Months Ended	
	February 28, 2017	February 29, 2016
Revenue:		
Software licenses	\$24,322	\$ 23,955
Maintenance and services	66,648	65,526
Total revenue	90,970	89,481
Costs of revenue:		
Cost of software licenses	1,588	1,482
Cost of maintenance and services	10,492	10,329
Amortization of acquired intangibles	3,678	3,939
Total costs of revenue	15,758	15,750
Gross profit	75,212	73,731
Operating expenses:		
Sales and marketing	25,721	29,658
Product development	17,334	21,797
General and administrative	10,568	12,380
Amortization of acquired intangibles	3,179	3,185
Restructuring expenses	17,139	(66)
Acquisition-related expenses	49	72
Total operating expenses	73,990	67,026
Income from operations	1,222	6,705
Other (expense) income:		
Interest expense	(1,082)	(1,057)
Interest income and other, net	221	162
Foreign currency (loss) gain, net	(486)	(930)
Total other (expense) income, net	(1,347)	(1,825)
(Loss) income before income taxes	(125)	4,880
Provision for income taxes	400	1,664
Net (loss) income	\$(525)	\$ 3,216