

VERITAS SOFTWARE CORP /DE/

Form 10-Q

August 09, 2004

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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 June 30, 2004

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: 000-26247

VERITAS Software Corporation

(Exact name of Registrant as Specified in Its Charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

77-0507675

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

350 Ellis Street

Mountain View, California 94043

(650) 527-8000

*(Address, including Zip Code, of Registrant's Principal Executive Offices and
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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The number of shares of the registrant's common stock outstanding as of July 30, 2004 was 432,828,668 shares.

VERITAS SOFTWARE CORPORATION

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	June 30, 2004	December 31, 2003
	(Unaudited)	
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,048,618	\$ 823,171
Short-term investments	1,701,487	1,679,844
Accounts receivable, net of allowance for doubtful accounts of \$5,865 and \$7,479, respectively	171,498	250,098
Other current assets	66,841	60,254
Deferred income taxes	36,333	30,302
Total current assets	3,024,777	2,843,669
Property and equipment, net	569,264	572,977
Other intangibles, net	86,139	81,344
Goodwill	1,809,309	1,755,591
Other non-current assets	23,707	25,385
Deferred income taxes	83,201	69,500
	\$ 5,596,397	\$ 5,348,466
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 39,098	\$ 38,289
Accrued compensation and benefits	110,797	124,655
Accrued acquisition and restructuring costs	22,789	25,051
Other accrued liabilities	67,412	83,184
Current portion of long-term debt	186,373	
Income taxes payable	159,058	141,623
Deferred revenue	422,584	398,772
Total current liabilities	1,008,111	811,574
Convertible subordinated notes	520,000	520,000
Long-term debt	194,257	380,630
Accrued acquisition and restructuring costs	60,080	69,019
Other long-term liabilities	24,881	23,649
Total liabilities	1,807,329	1,804,872
Stockholders' equity:		
Common stock	461	458
Additional paid-in capital	7,013,156	6,941,798

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Accumulated deficit	(1,191,558)	(1,378,076)
Deferred stock-based compensation	(12,183)	(8,455)
Accumulated other comprehensive income (loss)	(2,505)	6,172
Treasury stock, at cost; 28,609 shares at June 30, 2004 and December 31, 2003	(2,018,303)	(2,018,303)
	<u>3,789,068</u>	<u>3,543,594</u>
Total stockholders' equity	<u>\$ 5,596,397</u>	<u>\$ 5,348,466</u>

See accompanying notes to condensed consolidated financial statements.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
(Unaudited)				
(In thousands, except per share amounts)				
Net revenue:				
User license fees	\$ 269,916	\$ 252,801	\$ 572,325	\$ 500,256
Services	215,118	155,567	398,456	298,248
Total net revenue	485,034	408,368	970,781	798,504
Cost of revenue:				
User license fees	8,878	11,716	18,397	23,633
Services(1)	66,812	54,807	132,655	107,109
Amortization of developed technology	4,055	10,554	7,879	25,336
Total cost of revenue	79,745	77,077	158,931	156,078
Gross profit	405,289	331,291	811,850	642,426
Operating expenses:				
Selling and marketing(1)	151,580	121,843	294,618	237,141
Research and development(1)	83,580	71,468	163,504	142,056
General and administrative(1)	46,389	39,638	94,138	77,817
Amortization of other intangibles	2,409	12,250	4,803	30,441
In-process research and development		15,300	400	19,400
Total operating expenses	283,958	260,499	557,463	506,855
Income from operations	121,331	70,792	254,387	135,571
Interest and other income, net	10,438	13,891	21,764	24,903
Interest expense	(6,000)	(7,798)	(11,702)	(15,536)
Gain (loss) on strategic investments			7,496	(3,518)
Income before income taxes	125,769	76,885	271,945	141,420
Provision for income taxes	39,299	31,251	85,427	52,682
Net income	\$ 86,470	\$ 45,634	\$ 186,518	\$ 88,738
Net income per share basic	\$ 0.20	\$ 0.11	\$ 0.43	\$ 0.21
Number of shares used in computing per share amounts basic	431,943	415,621	431,329	414,270
Net income per share diluted	\$ 0.20	\$ 0.11	\$ 0.42	\$ 0.21
Number of shares used in computing per share amounts diluted	442,361	427,939	443,622	424,275

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(1) Amortization of stock-based compensation consists of:

Services	\$ 66	\$	\$ 303	\$
Selling and marketing	981		3,862	
Research and development	614	416	1,836	730
General and administrative	24		768	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total amortization of stock-based compensation	\$ 1,685	\$ 416	\$ 6,769	\$ 730
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to condensed consolidated financial statements.

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VERITAS SOFTWARE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2004	2003
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net income	\$ 186,518	\$ 88,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,731	61,899
Amortization of developed technology	7,879	25,336
Amortization of other intangibles	4,803	30,441
In-process research and development	400	19,400
Provision for (recovery of) allowance for doubtful accounts	(836)	1,475
Stock-based compensation	6,769	730
Tax benefits from stock plans	8,618	11,065
(Gain) loss on strategic investments	(7,496)	3,518
(Gain) loss on sale and disposal of assets	909	(428)
Deferred income taxes	(18,923)	(23,359)
Changes in operating assets and liabilities, net of effects of business acquisitions:		
Accounts receivable	77,729	52,712
Other assets	(8,053)	6,200
Accounts payable	863	(929)
Accrued compensation and benefits	(13,911)	(14,398)
Accrued acquisition and restructuring costs	(12,888)	(10,193)
Other liabilities	(10,268)	(6,133)
Income taxes payable	17,517	50,164
Deferred revenue	21,633	25,656
Net cash provided by operating activities	320,994	321,894
Cash flows from investing activities:		
Purchases of investments	(1,651,284)	(930,935)
Sales and maturities of investments	1,624,392	1,160,013
Purchases of property and equipment	(53,005)	(34,998)
Purchase of businesses and technology, net of cash acquired	(68,987)	(333,739)
Payments made for prior year business and technology acquisitions		(4,152)
Net cash used for investing activities	(148,884)	(143,811)
Cash flows from financing activities:		
Additional issuance costs for convertible subordinated debt	(170)	
Proceeds from issuance of common stock	52,249	58,984
Net cash provided by financing activities	52,079	58,984
Effect of exchange rate changes on cash and cash equivalents	1,258	15,889
Net increase in cash and cash equivalents	225,447	252,956
Cash and cash equivalents at beginning of period	823,171	764,062
Cash and cash equivalents at end of period	\$ 1,048,618	\$ 1,017,018

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Supplemental disclosures:		
Cash paid for interest	\$ 8,855	\$ 5,992
Cash paid for income taxes	\$ 88,674	\$ 15,808

See accompanying notes to condensed consolidated financial statements.

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