

ACTUATE CORP  
Form 10-Q  
November 08, 2013  
Table of Contents

**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 September 30, 2013**

**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 No. 0-24607**

**Actuate Corporation**

**(Exact name of Registrant as specified in its charter)**

**Delaware**  
**(State of incorporation)**

**94-3193197**  
**(I.R.S. Employer**

**Identification No.)**

**951 Mariners Island Boulevard,**

**San Mateo, California 94404**

**(650) 645-3000**

**(including area code, of Registrant's principal executive offices)**

**Former name, former address and former fiscal year, if changed since last report:**

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 definition 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

**Title of Class**  
**Common Stock, par value \$.001 per share**

**Outstanding as of October 31, 2013**  
**47,637,426**



**Table of Contents**

**Actuate Corporation**

**Table of Contents**

**PART I FINANCIAL INFORMATION**

Item 1.	<u>Financial Statements</u>	3
	<u>Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012</u>	3
	<u>Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2013 and 2012</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2013 and 2012</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	35
Item 4.	<u>Controls and Procedures</u>	36

**PART II OTHER INFORMATION**

Item 1.	<u>Legal Proceedings</u>	36
Item 1A.	<u>Risk Factors</u>	36
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	49
Item 6.	<u>Exhibits</u>	51
	<u>Signatures</u>	52

**Table of Contents****Part I. Financial Information****Item 1. Financial Statements****ACTUATE CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands except share and per share data)****(unaudited)**

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 40,202	\$ 37,483
Short-term investments	31,746	28,967
Accounts receivable, net of allowances of \$548 and \$394 at September 30, 2013 and December 31, 2012, respectively	30,403	33,053
Other current assets	10,340	9,098
<b>Total current assets</b>	<b>112,691</b>	<b>108,601</b>
Property and equipment, net	6,559	7,805
Goodwill	51,865	51,821
Purchased intangibles, net	9,222	11,163
Non-current deferred tax assets, net	11,910	12,214
Other assets	763	911
	<b>\$ 193,010</b>	<b>\$ 192,515</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,775	\$ 1,976
Current portion of restructuring liabilities	157	509
Accrued compensation	6,355	6,504
Other accrued liabilities	4,228	5,626
Deferred revenue	41,468	43,438
<b>Total current liabilities</b>	<b>53,983</b>	<b>58,053</b>
Long-term liabilities:		
Notes payable	874	843
Other liabilities	3,186	3,157
Long-term deferred revenue	2,526	2,978

Edgar Filing: ACTUATE CORP - Form 10-Q

Long-term income taxes payable	2,157	2,127
<b>Total long-term liabilities</b>	<b>8,743</b>	<b>9,105</b>
Stockholders' equity:		
Preferred stock, \$0.001 par value, issuable in series; 5,000,000 shares authorized; none issued or outstanding		
Common stock, \$0.001 par value, 100,000,000 shares authorized; issued 91,336,812 and 89,179,966 shares, respectively; outstanding 47,943,440 and 48,220,978 shares, respectively	48	48
Additional paid-in capital	253,630	237,731
Treasury stock, at cost; 43,393,372 and 40,958,988 shares, respectively	(189,030)	(172,880)
Accumulated other comprehensive income	1,832	2,198
Retained earnings	63,804	58,260
<b>Total stockholders' equity</b>	<b>130,284</b>	<b>125,357</b>
	<b>\$ 193,010</b>	<b>\$ 192,515</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**Table of Contents**

**ACTUATE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share data)

(unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>				
License fees	\$ 14,338	\$ 13,304	\$ 45,973	\$ 42,389
Services	17,953	18,875	56,138	60,854
<b>Total revenues</b>	<b>32,291</b>	<b>32,179</b>	<b>102,111</b>	<b>103,243</b>
<b>Costs and expenses:</b>				
Cost of license fees	539	482	1,663	1,439
Cost of services	4,196	5,187	13,610	15,267
Sales and marketing	13,862	12,067	41,952	35,811
Research and development	6,422	6,060	19,364	17,668
General and administrative	5,156	5,360	17,204	16,918
Amortization of other purchased intangibles	301	289	865	867
Restructuring charges	246	21	837	54
<b>Total costs and expenses</b>	<b>30,722</b>	<b>29,466</b>	<b>95,495</b>	<b>88,024</b>
Income from operations	1,569	2,713	6,616	15,219
Interest income and other income/(expense), net	(159)	174	158	763
Interest expense	(37)	(55)	(157)	(255)
<b>Income before income taxes</b>	<b>1,373</b>	<b>2,832</b>	<b>6,617</b>	<b>15,727</b>
Provision for income taxes	138	2,725	1,050	6,182
<b>Net income</b>	<b>\$ 1,235</b>	<b>\$ 107</b>	<b>\$ 5,567</b>	<b>\$ 9,545</b>
Basic net income per share	\$ 0.03	\$ 0.00	\$ 0.12	\$ 0.19
Shares used in basic per share calculation	48,175	49,207	48,046	49,156
Diluted net income per share	\$ 0.02	\$ 0.00	\$ 0.11	\$ 0.18
Shares used in diluted per share calculation	51,428	52,794	50,851	52,794

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.





Table of Contents

**ACTUATE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands, unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 1,235	\$ 107	\$ 5,567	\$ 9,545
Other comprehensive income, before tax:				
Foreign currency translation	\$ 1,243	\$ 257	\$ (342)	\$ 161
Net unrealized gain/(loss) on securities	\$ 55	\$ 60	\$ (24)	\$ 74
<b>Total comprehensive income</b>	<b>\$ 2,533</b>	<b>\$ 424</b>	<b>\$ 5,201</b>	<b>\$ 9,780</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**Table of Contents**

**ACTUATE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands, unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating activities</b>		
Net income	\$ 5,567	\$ 9,545
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	5,792	5,454
Excess tax benefit from exercise of stock options	(1,118)	(2,440)
Amortization of other purchased intangibles	1,908	1,687
Amortization of debt issuance cost	44	51
Bad debt expense	(119)	(13)
Write-off of unamortized debt issuance costs	188	
Depreciation	1,609	1,587
Change in valuation allowance on deferred tax assets	(28)	1,767
Impairments and write-offs	155	89
Gain on liquidation of subsidiary	(416)	
Accretion/amortization on short-term debt securities	(208)	189
Changes in operating assets and liabilities, net of acquired assets and assumed liabilities:		
Accounts receivable	2,769	6,717
Other current assets	610	(2,635)
Accounts payable	(212)	(241)
Accrued compensation	(149)	(637)
Other accrued liabilities	(1,398)	(521)
Deferred tax assets, net of liabilities	418	170
Income taxes receivable/payable, net	(650)	(872)
Other deferred liabilities	(47)	3,138
Restructuring liabilities	(275)	(69)
Deferred revenue	(2,422)	(6,384)
Net cash provided by operating activities	12,018	16,582
<b>Investing activities</b>		
Purchases of property and equipment	(508)	(5,038)
Proceeds from sale and maturity of investments	31,877	22,694
Purchases of short-term investments	(34,471)	(29,286)
Proceeds from security deposits and other	10	(55)
Net cash used in investing activities	(3,092)	(11,685)
<b>Financing activities</b>		

Edgar Filing: ACTUATE CORP - Form 10-Q

Credit facility related payments	(93)	(34)
Excess tax benefit from exercise of stock options	1,118	2,440
Proceeds from issuance of common stock	8,879	9,223
Stock repurchases	(16,153)	(15,993)
Tax related to net share settlements of restricted stock awards and units	(50)	
Net cash used in financing activities	(6,299)	(4,364)
Effect of exchange rates on cash and cash equivalents	92	161
Net increase in cash and cash equivalents	2,719	694
Cash and cash equivalents at the beginning of the period	37,483	38,759
Cash and cash equivalents at the end of the period	\$ 40,202	\$ 39,453
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 76	\$ 212
Cash paid for income taxes	\$ 1,068	\$ 3,448
Non-cash Investing activities:		
Leasehold incentives subsidized by the landlord	\$	\$ 2,613

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**Table of Contents**

**ACTUATE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Summary of Significant Accounting Policies**

*The Company*