

Edgar Filing: Nuance Communications, Inc. - Form 10-Q

Nuance Communications, Inc.
Form 10-Q
May 08, 2015
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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 March 31, 2015

Or

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

Commission file number 001-36056

NUANCE COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other jurisdiction of
incorporation or organization)

94-3156479
(I.R.S. Employer
Identification No.)

1 Wayside Road
Burlington, Massachusetts
(Address of principal executive offices)

01803
(Zip Code)

Registrant's telephone number, including area code:
(781) 565-5000

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

The number of shares of the Registrant's Common Stock, outstanding as of April 30, 2015 was 313,828,530.

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Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements (unaudited)

NUANCE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
	(Unaudited)			
	(In thousands, except per share amounts)			
Revenues:				
Product and licensing	\$174,451	\$174,819	\$344,139	\$353,256
Professional services and hosting	224,504	227,526	450,674	445,661
Maintenance and support	76,104	73,308	154,265	146,716
Total revenues	475,059	475,653	949,078	945,633
Cost of revenues:				
Product and licensing	23,252	25,226	47,222	50,435
Professional services and hosting	151,021	157,437	308,264	312,017
Maintenance and support	13,395	12,359	27,436	25,196
Amortization of intangible assets	15,631	15,342	30,762	30,536
Total cost of revenues	203,299	210,364	413,684	418,184
Gross profit	271,760	265,289	535,394	527,449
Operating expenses:				
Research and development	74,776	84,581	157,343	165,051
Sales and marketing	93,254	98,280	204,504	217,186
General and administrative	45,734	43,682	96,301	88,158
Amortization of intangible assets	25,328	26,571	52,155	54,043
Acquisition-related costs, net	6,523	6,802	11,279	9,600
Restructuring and other charges, net	(333)	4,719	1,895	8,556
Total operating expenses	245,282	264,635	523,477	542,594
Income (loss) from operations	26,478	654	11,917	(15,145)
Other income (expense):				
Interest income	627	774	1,189	1,193
Interest expense	(30,034)	(33,987)	(59,931)	(67,946)
Other income (expense), net	(110)	(274)	(895)	(3,370)
Loss before income taxes	(3,039)	(32,833)	(47,720)	(85,268)
Provision for income taxes	11,059	6,394	16,873	9,372
Net loss	\$(14,098)	\$(39,227)	\$(64,593)	\$(94,640)
Net loss per share:				
Basic	\$(0.04)	\$(0.12)	\$(0.20)	\$(0.30)
Diluted	\$(0.04)	\$(0.12)	\$(0.20)	\$(0.30)
Weighted average common shares outstanding:				
Basic	322,879	316,593	322,331	315,696
Diluted	322,879	316,593	322,331	315,696
See accompanying notes.				

NUANCE COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
	(Unaudited) (In thousands)			
Net loss	\$(14,098)	\$(39,227)	\$(64,593)	\$(94,640)
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(49,522)	(1,127)	(77,740)	5,477
Pension adjustments	(759)	—	(734)	—
Unrealized gain on marketable securities	58	—	29	—
Total other comprehensive (loss) income, net	(50,223)	(1,127)	(78,445)	5,477
Comprehensive loss	\$(64,321)	\$(40,354)	\$(143,038)	\$(89,163)

See accompanying notes.

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CONSOLIDATED BALANCE SHEETS

	March 31, 2015	September 30, 2014
	(Unaudited)	
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$474,650	\$547,230
Marketable securities	63,044	40,974
Accounts receivable, less allowances for doubtful accounts of \$12,204 and \$11,491	394,054	428,266
Prepaid expenses and other current assets	92,118	92,040
Deferred tax assets	56,128	55,990
Total current assets	1,079,994	1,164,500
Marketable securities	29,228	—
Land, building and equipment, net	185,985	191,411
Goodwill	3,354,734	3,410,893
Intangible assets, net	852,561	915,483
Other assets	147,325	137,997
Total assets	\$5,649,827	\$5,820,284
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$4,834	\$4,834
Contingent and deferred acquisition payments	8,556	35,911
Accounts payable	58,053	61,760
Accrued expenses and other current liabilities	180,003	241,279
Deferred revenue	343,651	298,225
Total current liabilities	595,097	642,009
Long-term debt	2,137,738	2,127,392
Deferred revenue, net of current portion	294,154	249,879
Deferred tax liabilities	162,499	156,235
Other liabilities	58,753	62,777
Total liabilities	3,248,241	3,238,292
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, \$0.001 par value; 560,000 shares authorized; 321,784 and 324,621 shares issued and 318,034 and 320,870 shares outstanding, respectively	322	325
Additional paid-in capital	3,151,882	3,153,033
Treasury stock, at cost (3,751 shares)	(16,788)	(16,788)
Accumulated other comprehensive loss	(102,460)	(24,015)
Accumulated deficit	(631,370)	(530,563)
Total stockholders' equity	2,401,586	2,581,992
Total liabilities and stockholders' equity	\$5,649,827	\$5,820,284
See accompanying notes.		

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31,	
	2015	2014
	(Unaudited)	
	(In thousands)	
Cash flows from operating activities:		
Net loss	\$(64,593	) \$(94,640
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	114,020	109,417
Stock-based compensation	78,271	92,159
Non-cash interest expense	14,918	19,443
Deferred tax provision	6,386	3,446
Other	1,427	(5,258
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	16,988	6,518
Prepaid expenses and other assets	(13,213	) (11,695
Accounts payable	1,869	(32,097
Accrued expenses and other liabilities	(50,017	) (10,301
Deferred revenue	109,575	88,190
Net cash provided by operating activities	215,631	165,182
Cash flows from investing activities:		
Capital expenditures	(30,758	) (24,719
Payments for business and technology acquisitions, net of cash acquired	(31,891	) (135,537
Purchases of marketable securities and other investments	(91,348	) (11,504
Proceeds from sales and maturities of marketable securities and other investments	23,165	21,634
Net cash used in investing activities	(130,832	) (150,126
Cash flows from financing activities:		
Payments of debt	(2,418	) (2,516
Payments for repurchase of common stock	(109,838	) (26,435
Payments for settlement of share-based derivatives	(340	) (5,286
Payments of other long-term liabilities	(1,526	) (1,519
Proceeds from issuance of common stock from employee stock plans	9,149	