

SERENA SOFTWARE INC
Form 10-Q
September 14, 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 NO. 000-25285

SERENA SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

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DELAWARE
(State or other jurisdiction of

94-2669809
(I.R.S. Employer

incorporation or organization)

Identification No.)

1900 SEAPORT BOULEVARD, REDWOOD CITY, CALIFORNIA 94063-5587

(Address of principal executive offices, including zip code)

650-481-3400

(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.

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 August 31, 2010, 98,389,625 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SERENA SOFTWARE, INC.****Condensed Consolidated Balance Sheets****(In thousands, except share data)****(Unaudited)**

	July 31, 2010	January 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 103,309	\$ 124,996
Accounts receivable, net of allowance of \$1,299 and \$1,480 at July 31, 2010 and January 31, 2010, respectively	18,929	24,799
Deferred taxes, net	5,393	5,443
Prepaid expenses and other current assets	6,261	5,333
Total current assets	133,892	160,571
Property and equipment, net	2,971	3,213
Goodwill	462,400	464,331
Other intangible assets, net	153,581	189,331
Other assets	4,897	5,776
TOTAL ASSETS	\$ 757,741	\$ 823,222
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$	\$ 2,000
Accounts payable	1,808	1,573
Income taxes payable	8,810	5,972
Accrued expenses	17,473	24,665
Accrued interest on term loan and subordinated notes	8,545	8,764
Deferred revenue	62,549	70,620
Total current liabilities	99,185	113,558
Deferred revenue, less current portion	8,066	8,122
Long-term liabilities	3,373	4,667
Deferred taxes	48,963	61,846
Term loan	316,000	316,000
Revolving term credit facility	35,000	65,000
Senior subordinated notes	142,952	142,952
Total liabilities	653,539	712,145
Commitments and contingencies:		
Stockholders' equity:		

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Preferred stock, \$0.01 par value; 10,000,000 shares authorized and no shares issued and outstanding at July 31, 2010 and January 31, 2010		
Series A Preferred stock, \$0.01 par value; 1 share authorized, issued and outstanding at July 31, 2010 and January 31, 2010		
Common stock, \$0.01 par value; 200,000,000 shares authorized; 98,389,625 and 98,481,641 shares issued and outstanding at July 31, 2010 and January 31, 2010, respectively	984	985
Additional paid-in capital	513,845	512,208
Accumulated other comprehensive (loss) income	(836)	18
Accumulated deficit	(409,791)	(402,134)
Total stockholders' equity	104,202	111,077
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 757,741	\$ 823,222

See accompanying notes to condensed consolidated financial statements.

Table of Contents**SERENA SOFTWARE, INC.****Condensed Consolidated Statements of Operations****For the Three Months and Six Months Ended July 31, 2010 and 2009****(In thousands)****(Unaudited)**

	Three Months Ended July 31,		Six Months Ended July 31,	
	2010	2009	2010	2009
Revenue:				
Software licenses	\$ 10,050	\$ 11,017	\$ 21,462	\$ 20,484
Maintenance	35,610	38,531	71,191	75,260
Professional services	4,604	5,633	9,236	12,221
Total revenue	50,264	55,181	101,889	107,965
Cost of revenue:				
Software licenses	233	808	533	1,438
Maintenance	2,805	3,220	5,690	6,436
Professional services	4,166	5,441	8,340	11,583
Amortization of acquired technology	8,333	8,747	17,029	17,093
Total cost of revenue	15,537	18,216	31,592	36,550
Gross profit	34,727	36,965	70,297	71,415
Operating expenses:				
Sales and marketing	12,528	14,367	26,151	29,343
Research and development	7,612	7,961	15,952	16,321
General and administrative	3,604	4,586	8,261	8,671
Amortization of intangible assets	9,203	9,203	18,406	18,406
Restructuring, acquisition and other charges	452	364	2,622	2,215
Goodwill impairment	1,433		1,433	
Total operating expenses	34,832	36,481	72,825	74,956
Operating (loss) income	(105)	484	(2,528)	(3,541)
Other income (expense):				
Interest income	55	134	90	347
Gain on early extinguishment of debt		1,038		4,602
Interest expense	(6,018)	(8,591)	(13,193)	(17,257)
Change in the fair value of derivative instrument		1,033	1,616	1,447
Amortization and write-off of debt issuance costs	(436)	(674)	(869)	(1,306)
Total other income (expense)	(6,399)	(7,060)	(12,356)	(12,167)
Loss before income taxes	(6,504)	(6,576)	(14,884)	(15,708)
Income tax benefit	(3,008)	(5,081)	(7,227)	(9,398)

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Net loss	\$ (3,496)	\$ (1,495)	\$ (7,657)	\$ (6,310)
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See accompanying notes to condensed consolidated financial statements.

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	Six Months Ended July 31,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (7,657)	\$ (6,310)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of acquired technology and other intangibles	36,930	38,109
Deferred income taxes	(12,833)	(13,518)
Gain on early extinguishment of debt		(4,602)
Interest expense on term credit facility and subordinated notes, net of interest paid	(200)	(386)
Fair market value adjustment on the interest rate swap	(1,616)	(1,447)
Amortization and write off of debt issuance costs	869	1,306
Stock-based compensation	1,993	341