

PROGRESS SOFTWARE CORP /MA
Form 10-Q
April 06, 2018
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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, 2018

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes " No ý

As of March 28, 2018, there were 45,232,011 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, 2018 | November 30, 2017 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 117,111 | \$133,464 |
| Short-term investments | 50,386 | 50,145 |
| Total cash, cash equivalents and short-term investments | 167,497 | 183,609 |
| Accounts receivable (less allowances of \$785 and \$676, respectively) | 53,843 | 61,210 |
| Other current assets | 16,312 | 18,588 |
| Total current assets | 237,652 | 263,407 |
| Property and equipment, net | 41,761 | 42,261 |
| Intangible assets, net | 85,757 | 94,894 |
| Goodwill | 315,106 | 315,041 |
| Deferred tax assets | 948 | 1,123 |
| Other assets | 1,916 | 1,992 |
| Total assets | \$ 683,140 | \$718,718 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 5,819 | \$5,819 |
| Accounts payable | 8,913 | 9,000 |
| Accrued compensation and related taxes | 17,406 | 32,373 |
| Dividends payable to shareholders | 6,482 | 6,619 |
| Income taxes payable | 1,042 | 1,173 |
| Other accrued liabilities | 18,797 | 20,496 |
| Short-term deferred revenue | 144,573 | 132,538 |
| Total current liabilities | 203,032 | 208,018 |
| Long-term debt | 114,635 | 116,090 |
| Long-term deferred revenue | 9,655 | 9,750 |
| Deferred tax liabilities | 2,163 | 2,809 |
| Other noncurrent liabilities | 6,003 | 5,967 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, \$0.01 par value; authorized, 10,000,000 shares; issued, none | — | — |
| Common stock, \$0.01 par value, and additional paid-in capital; authorized, 200,000,000 shares; issued and outstanding, 46,297,792 shares in 2018 and 47,281,035 shares in 2017 | 255,047 | 249,836 |
| Retained earnings | 107,800 | 145,247 |
| Accumulated other comprehensive loss | (15,195) | (18,999) |
| Total shareholders' equity | 347,652 | 376,084 |
| Total liabilities and shareholders' equity | \$ 683,140 | \$718,718 |
| 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, 2018 | February 28, 2017 |
| Revenue: | | |
| Software licenses | \$25,343 | \$ 24,322 |
| Maintenance and services | 68,704 | 66,648 |
| Total revenue | 94,047 | 90,970 |
| Costs of revenue: | | |
| Cost of software licenses | 1,261 | 1,588 |
| Cost of maintenance and services | 9,824 | 10,492 |
| Amortization of acquired intangibles | 5,818 | 3,678 |
| Total costs of revenue | 16,903 | 15,758 |
| Gross profit | 77,144 | 75,212 |
| Operating expenses: | | |
| Sales and marketing | 21,428 | 25,721 |
| Product development | 20,245 | 17,334 |
| General and administrative | 11,262 | 10,568 |
| Amortization of acquired intangibles | 3,319 | 3,179 |
| Fees related to shareholder activist | 1,258 | — |
| Restructuring expenses | 1,821 | 17,139 |
| Acquisition-related expenses | 43 | 49 |
| Total operating expenses | 59,376 | 73,990 |
| Income from operations | 17,768 | 1,222 |
| Other (expense) income: | | |
| Interest expense | (1,165) | (1,082) |
| Interest income and other, net | 408 | 221 |
| Foreign currency (loss) gain, net | (828) | (486) |
| Total other (expense) income, net | (1,585) | (1,347) |
| Income (loss) before income taxes | 16,183 | (125) |
| Provision for income taxes | 3,271 | |