

Starent Networks, Corp.  
Form 10-Q  
August 08, 2008  
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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, 2008

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: 001-33511

**STARENT NETWORKS, CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**04-3527533**  
(I.R.S. Employer  
Identification No.)

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**30 International Place  
Tewksbury, MA 01876**

(Address of principal executive offices) (zip code)

**(978) 851-1100**

(Registrant's telephone number, including area code)

(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 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

As of August 4, 2008, there were 69,973,251 shares of the registrant's \$0.001 par value per share common stock outstanding.

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**STARENT NETWORKS, CORP.**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008**

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****STARENT NETWORKS, CORP.****CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited and in thousands, except share and per share data)**

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 321,147	\$ 223,987
Short-term investments		9,612
Accounts receivable	39,304	56,363
Inventories	41,519	29,638
Prepaid expenses and other current assets	6,291	6,656
Total current assets	408,261	326,256
Property and equipment, net	26,620	20,452
Other assets	2,035	1,955
Restricted cash	832	716
Total assets	\$ 437,748	\$ 349,379
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 9,800	\$ 7,448
Accrued expenses	7,286	6,163
Accrued payroll and related expenses	11,936	15,568
Income taxes payable	1,545	1,075
Current portion of deferred revenue	109,874	52,733
Total current liabilities	140,441	82,987
Deferred revenue, net of current portion	8,056	10,670
Refundable purchase price of restricted common stock	645	783
Commitments and contingencies (Note 7)		
Stockholders equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized and no shares outstanding	70	68

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Common stock, \$0.001 par value, 250,000,000 shares authorized, 69,557,678 and 68,252,858 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively

Additional paid-in capital	359,155	348,917
Accumulated other comprehensive income		2
Accumulated deficit	(70,619)	(94,048)
Total stockholders' equity	288,606	254,939
Total liabilities and stockholders' equity	\$ 437,748	\$ 349,379

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**STARENT NETWORKS, CORP.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited and in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Revenues:</b>				
Product	\$ 52,160	\$ 25,121	\$ 101,047	\$ 49,573
Service	9,008	5,733	16,349	8,923
Total revenues	61,168	30,854	117,396	58,496
<b>Cost of revenues:</b>				
Product	9,497	6,316	18,546	10,754
Service	3,806	1,942	7,716	3,329
Total cost of revenues	13,303	8,258	26,262	14,083
Gross profit	47,865	22,596	91,134	44,413
<b>Operating expenses:</b>				
Research and development	12,500	7,585	24,843	17,651
Sales and marketing	16,173	8,867	35,024	15,936
General and administrative	5,931	3,398	11,087	6,242
Total operating expenses	34,604	19,850	70,954	39,829
Income from operations	13,261	2,746	20,180	4,584
Interest income	2,009	890	4,293	1,598
Foreign currency exchange gain (loss)	(148)	(91)	751	(89)
Income before income tax expense	15,122	3,545	25,224	6,093
Income tax expense	(1,346)	(164)	(1,795)	(407)
Net income	13,776	3,381	23,429	5,686
Accretion of redeemable convertible preferred stock		(1,448)		(3,445)
Income allocated to preferred stockholders		(1,108)		(1,583)
Net income applicable to common stockholders	\$ 13,776	\$ 825	\$ 23,429	\$ 658
<b>Net income per share applicable to common stockholders (Note 3):</b>				
Basic	\$ 0.20	\$ 0.03	\$ 0.34	\$ 0.04
Diluted	\$ 0.19	\$ 0.03	\$ 0.32	\$ 0.03
<b>Weighted-average shares used in computing net income per common share (Note 3):</b>				
Basic	69,379	23,919	69,105	15,864
Diluted	74,407	30,197	74,372	21,769

The accompanying notes are an integral part of these condensed consolidated financial statements.



Table of Contents**STARENT NETWORKS, CORP.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited and in thousands)

	Six Months Ended June 30,	
	2008	2007
<b>Cash flows from operating activities:</b>		
Net income	\$ 23,429	\$ 5,686
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization expense	5,018	2,238
Share-based compensation	7,888	4,754
Foreign currency gains	(737)	(26)
Changes in operating assets and liabilities:		
Accounts receivable	17,146	(3,066)
Inventories	(11,875)	(3,385)
Prepaid expenses and other current assets	293	(878)
Other assets	(71)	(240)
Accounts payable	2,373	3,780
Accrued expenses	(2,368)	897
Income taxes payable	493	327
Deferred revenue	54,527	(22,727)
Net cash provided by (used in) operating activities	96,116	(12,640)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(11,215)	(8,474)
Purchases of short-term investments		(11,208)
Proceeds from maturities of short-term investments	9,610	26,580
Change in restricted cash	(130)	452
Net cash provided by (used in) investing activities		