

CITRIX SYSTEMS INC
Form 10-Q
November 05, 2008
[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, 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 0-27084

CITRIX SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: CITRIX SYSTEMS INC - Form 10-Q

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

75-2275152
*(IRS Employer
Identification No.)*

851 West Cypress Creek Road

Fort Lauderdale, Florida
(Address of principal executive offices)

33309
(Zip Code)

Registrant's Telephone Number, Including Area Code:

(954) 267-3000

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 or 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 October 31, 2008, there were 181,651,635 shares of the registrant's Common Stock, \$.001 par value per share, outstanding.

Table of Contents

CITRIX SYSTEMS, INC.

Form 10-Q

For the Quarterly Period Ended September 30, 2008

CONTENTS

| | Page Number |
|---|------------------------|
| PART I: FINANCIAL INFORMATION | |
| Item 1. <u>Condensed Consolidated Financial Statements</u> | |
| <u>Condensed Consolidated Balance Sheets:</u> <u>September 30, 2008 and December 31, 2007 (Unaudited)</u> | 3 |
| <u>Condensed Consolidated Statements of Income:</u> <u>Three and Nine Months ended September 30, 2008 and 2007 (Unaudited)</u> | 4 |
| <u>Condensed Consolidated Statements of Cash Flows:</u> <u>Nine Months ended September 30, 2008 and 2007 (Unaudited)</u> | 5 |
| <u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> | 6 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 20 |
| Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 35 |
| Item 4. <u>Controls and Procedures</u> | 35 |
| 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> | 37 |
| Item 5. <u>Other Information</u> | 38 |
| Item 6. <u>Exhibits</u> | 39 |
| <u>Signature</u> | 40 |

Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****CITRIX SYSTEMS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

| | September 30, 2008 | December 31, 2007 |
|--|-----------------------|----------------------|
| | (In thousands) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 218,078 | \$ 223,749 |
| Short-term restricted cash equivalents and investments | 62,830 | |
| Short-term investments | 242,986 | 356,085 |
| Accounts receivable, net of allowances of \$5,468 and \$4,561 at September 30, 2008 and December 31, 2007, respectively | 220,772 | 225,861 |
| Inventories, net | 12,654 | 9,629 |
| Prepaid expenses and other current assets | 91,683 | 75,995 |
| Current portion of deferred tax assets, net | 44,072 | 43,026 |
| Total current assets | 893,075 | 934,345 |
| Long-term restricted cash equivalents and investments | 917 | 63,735 |
| Long-term investments | 305,467 | 218,676 |
| Property and equipment, net | 176,475 | 134,907 |
| Goodwill | 888,240 | 888,516 |
| Other intangible assets, net | 267,388 | 276,315 |
| Other assets | 31,343 | 18,199 |
| | \$ 2,562,905 | \$ 2,534,693 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 41,996 | \$ 55,586 |
| Accrued expenses | 204,351 | 191,383 |
| Current portion of deferred revenues | 441,569 | 407,305 |
| Total current liabilities | 687,916 | 654,274 |
| Long-term portion of deferred revenues | 39,591 | 35,381 |
| Other liabilities | 911 | 6,713 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock at \$.01 par value: 5,000 shares authorized, none issued and outstanding | | |
| Common stock at \$.001 par value: 1,000,000 shares authorized; 254,955 and 252,201 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively | 255 | 252 |
| Additional paid-in capital | 2,244,390 | 2,038,010 |
| Retained earnings | 1,326,967 | 1,208,791 |
| Accumulated other comprehensive (loss) income | (34,695) | 5,751 |
| | 3,536,917 | 3,252,804 |
| | (1,702,430) | (1,414,479) |

Edgar Filing: CITRIX SYSTEMS INC - Form 10-Q

Less common stock in treasury, at cost (73,522 and 64,841 shares at September 30, 2008 and December 31, 2007, respectively)

| | | |
|----------------------------|---------------------|--------------|
| Total stockholders' equity | 1,834,487 | 1,838,325 |
| | \$ 2,562,905 | \$ 2,534,693 |

See accompanying notes.

Table of Contents

CITRIX SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| | Three Months Ended September 30, 2008 | 2007 | Nine Months Ended September 30, 2008 | 2007 |
|---|--|------------|---|------------|
| | (In thousands, except per share information) | | | |
| Revenues: | | | | |
| Product licenses | \$ 157,537 | \$ 140,460 | \$ 457,955 | \$ 399,114 |
| License updates | 141,251 | 124,035 | 412,464 | 355,006 |
| Online services | 64,949 | 55,744 | 190,621 | 154,765 |
| Technical services | 35,156 | 29,692 | 106,617 | 83,498 |
| Total net revenues | 398,893 | 349,931 | 1,167,657 | 992,383 |
| Cost of revenues: | | | | |
| Cost of license revenues | 10,555 | 12,427 | 34,477 | 30,568 |
| Cost of services revenues | 19,785 | 16,710 | 58,582 | 46,963 |
| Amortization of product related intangible assets | 11,948 | 6,869 | 35,517 | 19,753 |
| Total cost of net revenues | 42,288 | 36,006 | 128,576 | 97,284 |
| Gross margin | 356,605 | 313,925 | 1,039,081 | 895,099 |
| Operating expenses: | | | | |
| Research and development | 72,500 | 49,332 | 217,995 | 143,643 |
| Sales, marketing and services | 169,072 | 146,031 | 504,761 | 417,056 |
| General and administrative | 61,866 | 54,638 | 192,570 | 168,513 |
| Amortization of other intangibles | 5,468 | 3,940 | 16,875 | 11,738 |
| In-process research and development | | | | 1,200 |
| Total operating expenses | 308,906 | 253,941 | 932,201 | 742,150 |
| Income from operations | 47,699 | 59,984 | 106,880 | 152,949 |
| Interest income | 7,316 | 13,672 | 25,232 | 37,548 |
| Interest expense | (143) | (254) | (253) | (576) |
| Other (expense) income, net | (3,992) | 43 | (7,005) | 335 |
| Income before income taxes | 50,880 | 73,445 | 124,854 | 190,256 |
| Income taxes | 1,731 | 12,750 | 6,678 | 38,538 |
| Net income | \$ 49,149 | \$ 60,695 | \$ 118,176 | \$ 151,718 |
| Earnings per share: | | | | |
| Basic | \$ 0.27 | \$ 0.34 | \$ 0.64 | \$ 0.84 |
| Diluted | \$ 0.26 | \$ 0.33 | \$ 0.63 | \$ 0.82 |
| Weighted average shares outstanding: | | | | |
| Basic | 182,228 | 180,189 | 183,764 | 179,760 |

Edgar Filing: CITRIX SYSTEMS INC - Form 10-Q

Diluted

185,666

186,747

187,886

185,522

See accompanying notes.

Table of Contents**CITRIX SYSTEMS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

| | Nine Months Ended September 30, | |
|---|---------------------------------|------------|
| | 2008 | 2007 |
| | (In thousands) | |
| Operating Activities | | |
| Net income | \$ 118,176 | \$ 151,718 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of intangible assets | 52,392 | 31,491 |
| Depreciation and amortization of property and equipment | 37,554 | 27,721 |
| Stock-based compensation expense | 90,910 | 40,625 |
| In-process research and development | | 1,200 |
| Loss on investments | 3,921 | |
| Provision for doubtful accounts | 1,443 | 1,604 |
| Provision for product returns | 1,848 | 2,764 |
| Provision for inventory reserves | 454 | 2,861 |
| Tax effect of stock-based compensation | 4,349 | 7,893 |
| Excess tax benefit from exercise of stock options | (5,379) | (8,111) |
| Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies | (1,488) | 282 |
| Other non-cash items | 2,772 | 2,227 |
| Total adjustments to reconcile net income to net cash provided by operating activities | 188,776 | 110,557 |
| Changes in operating assets and liabilities, net of the effects of acquisitions: | | |
| Accounts receivable | 3,394 | 14,315 |
| Inventories | (3,478) | (3,006) |
| Prepaid expenses and other current assets | (18,442) | (19,447) |
| Other assets | 678 | (1,377) |
| Deferred tax assets, net | (12,718) | |