

SERENA SOFTWARE INC
Form 10-Q
June 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 APRIL 30, 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 May 31, 2010, 98,502,306 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)**

	April 30, 2010	January 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 99,389	\$ 124,996
Accounts receivable, net of allowance of \$1,358 and \$1,480 at April 30, 2010 and January 31, 2010, respectively	19,092	24,799
Deferred taxes, net	5,450	5,443
Prepaid expenses and other current assets	5,258	5,333
Total current assets	129,189	160,571
Property and equipment, net	2,982	3,213
Goodwill	464,331	464,331
Other intangible assets, net	171,262	189,331
Other assets	5,311	5,776
TOTAL ASSETS	\$ 773,075	\$ 823,222
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$	\$ 2,000
Accounts payable	1,789	1,573
Income taxes payable	7,653	5,972
Accrued expenses	18,476	24,665
Accrued interest on term loan and subordinated notes	4,605	8,764
Deferred revenue	71,501	70,620
Total current liabilities	104,024	113,558
Deferred revenue, less current portion	8,064	8,122
Long-term liabilities	3,459	4,667
Deferred taxes	55,138	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	664,637	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 April 30, 2010 and January 31, 2010		
Series A Preferred stock, \$0.01 par value; 1 share authorized, issued and outstanding at April 30, 2010 and January 31, 2010		
Common stock, \$0.01 par value; 200,000,000 shares authorized; 98,500,576 and 98,481,641 shares issued and outstanding at April 30, 2010 and January 31, 2010, respectively	985	985
Additional paid-in capital	513,399	512,208
Accumulated other comprehensive income	349	18
Accumulated deficit	(406,295)	(402,134)
Total stockholders' equity	108,438	111,077
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 773,075	\$ 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 Ended April 30, 2010 and 2009****(In thousands)****(Unaudited)**

	Three Months Ended April 30, 2010	2009
Revenue:		
Software licenses	\$ 11,412	\$ 9,467
Maintenance	35,581	36,729
Professional services	4,632	6,588
Total revenue	51,625	52,784
Cost of revenue:		
Software licenses	300	630
Maintenance	2,885	3,216
Professional services	4,174	6,142
Amortization of acquired technology	8,696	8,346
Total cost of revenue	16,055	18,334
Gross profit	35,570	34,450
Operating expenses:		
Sales and marketing	13,623	14,976
Research and development	8,340	8,360
General and administrative	4,657	4,085
Amortization of intangible assets	9,203	9,203
Restructuring, acquisition and other charges	2,170	1,851
Total operating expenses	37,993	38,475
Operating loss	(2,423)	(4,025)
Other income (expense):		
Interest income	35	213
Gain on early extinguishment of debt		3,564
Interest expense	(7,175)	(8,666)
Change in the fair value of the derivative instrument	1,616	414
Amortization and write off of debt issuance costs	(433)	(632)
Total other income (expense)	(5,957)	(5,107)
Loss before income taxes	(8,380)	(9,132)
Income tax benefit	(4,219)	(4,317)

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Net loss

\$ (4,161)

\$ (4,815)

See accompanying notes to condensed consolidated financial statements.

Table of Contents**SERENA SOFTWARE, INC.****Condensed Consolidated Statements of Cash Flows****For the Three Months Ended April 30, 2010 and 2009****(In thousands)****(Unaudited)**

	Three Months Ended April 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (4,161)	\$ (4,815)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of acquired technology and other intangibles	18,636	18,784
Deferred income taxes	(6,716)	(6,870)
Gain on early extinguishment of debt		(3,564)
Interest expense on term credit facility and subordinated notes, net of interest paid	(4,140)	(4,735)
Fair market value adjustment on the interest rate swap	(1,616)	(414)
Amortization and write off of debt issuance costs	433	632
Stock-based compensation	1,197	(1)
Changes in operating assets and liabilities:		
Accounts receivable	5,707	7,961
Prepaid expenses and other assets	107	169
Accounts payable	160	(552)
Income taxes payable	588	(4,006)
Accrued expenses and other liabilities	(4,642)	(2,029)
Deferred revenue	823	1,340
Net cash provided by operating activities	6,376	1,900
Cash flows used in investing activities:		
Capital expenditures	(240)	(241)
Capital expenditures for internal use software	(70)	(1,208)
Cash paid in acquisitions, net of cash received		(200)
Net cash used in investing activities	(310)	(1,649)
Cash flows used in financing activities:		
Common stock repurchased under stock repurchase plans		(212)
Repurchase of option rights under employee stock option plan	(29)	(23)
Exercise of stock options under employee stock option plan	24	
Principal payments and early extinguishments under the term credit facility and senior subordinated notes	(32,000)	(7,291)
Net cash used in financing activities	(32,005)	(7,526)
Effect of exchange rate changes on cash and cash equivalents	332	(420)
Net decrease in cash and cash equivalents	(25,607)	(7,695)
Cash and cash equivalents at beginning of period	124,996	115,044

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Cash and cash equivalents at end of period	\$ 99,389	\$ 107,349
Supplemental disclosures of cash flow information:		
Income taxes paid, net of refunds	\$ 1,215	\$ 6,618
Interest expense paid	\$ 11,315	\$ 13,376