

SYNOPSYS INC
Form 10-Q
February 17, 2017
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 JANUARY 31, 2017

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: 000-19807

SYNOPSYS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 56-1546236
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
690 EAST MIDDLEFIELD ROAD
MOUNTAIN VIEW, CA 94043
(Address of principal executive offices, including zip code)
(650) 584-5000
(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 February 15, 2017, there were 150,497,680 shares of the registrant’s common stock outstanding.

Table of Contents

SYNOPSIS, INC.
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE FISCAL QUARTER ENDED JANUARY 31, 2017
 TABLE OF CONTENTS

	Page
PART I. <u>Financial Information</u>	<u>1</u>
Item 1. <u>Financial Statements</u>	<u>1</u>
<u>Unaudited Condensed Consolidated Balance Sheets</u>	<u>1</u>
<u>Unaudited Condensed Consolidated Statements of Operations</u>	<u>2</u>
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income</u>	<u>3</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	<u>4</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>5</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>34</u>
Item 4. <u>Controls and Procedures</u>	<u>35</u>
PART II. <u>Other Information</u>	<u>36</u>
Item 1. <u>Legal Proceedings</u>	<u>36</u>
Item 1A. <u>Risk Factors</u>	<u>38</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>49</u>
Item 6. <u>Exhibits</u>	<u>50</u>
<u>Signatures</u>	<u>52</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SYNOPSYS, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par value amounts)

	January 31, 2017	October 31, 2016*
ASSETS		
Current assets:		
Cash and cash equivalents	\$827,709	\$976,620
Short-term investments	138,648	140,695
Total cash, cash equivalents and short-term investments	966,357	1,117,315
Accounts receivable, net	331,984	438,873
Income taxes receivable and prepaid taxes	54,596	56,091
Prepaid and other current assets	131,106	104,659
Total current assets	1,484,043	1,716,938
Property and equipment, net	256,811	257,035
Goodwill	2,652,257	2,518,245
Intangible assets, net	301,922	266,661
Long-term prepaid taxes	15,800	13,991
Long-term deferred income taxes	355,469	281,926
Other long-term assets	197,952	185,569
Total assets	\$5,264,254	\$5,240,365
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$251,098	\$401,451
Accrued income taxes	9,583	22,693
Deferred revenue	1,018,834	1,085,802
Short-term debt	177,040	205,000
Total current liabilities	1,456,555	1,714,946
Long-term accrued income taxes	37,394	39,562
Long-term deferred revenue	74,955	79,856
Long-term debt	142,500	—
Other long-term liabilities	228,165	210,855
Total liabilities	1,939,569	2,045,219
Stockholders' equity:		
Preferred stock, \$0.01 par value: 2,000 shares authorized; none outstanding	—	—
Common stock, \$0.01 par value: 400,000 shares authorized; 150,428 and 151,454 shares outstanding, respectively	1,505	1,515
Capital in excess of par value	1,640,036	1,644,675
Retained earnings	2,137,395	1,947,585
Treasury stock, at cost: 6,836 and 5,811 shares, respectively	(355,257)	(294,052)
Accumulated other comprehensive income (loss)	(98,994)	(104,577)
Total stockholders' equity	3,324,685	3,195,146
Total liabilities and stockholders' equity	\$5,264,254	\$5,240,365

* Derived from audited financial statements.

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

SYNOPSIS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended January 31,	
	2017	2016
Revenue:		
Time-based products	\$489,365	\$464,280
Upfront products	79,609	43,437
Maintenance and service	83,812	60,887
Total revenue	652,786	568,604
Cost of revenue:		
Products	96,971	76,393
Maintenance and service	37,303	22,525
Amortization of intangible assets	21,472	30,526
Total cost of revenue	155,746	129,444
Gross margin	497,040	439,160
Operating expenses:		
Research and development	212,648	196,705
Sales and marketing	126,511	122,620
General and administrative	40,866	39,697
Amortization of intangible assets	8,036	6,935
Restructuring charges	12,105	2,093
Total operating expenses	400,166	368,050
Operating income	96,874	71,110
Other income (expense), net	11,487	(6,768)
Income before income taxes	108,361	64,342
Provision (benefit) for income taxes	21,773	4,307
Net income	\$86,588	\$60,035
Net income per share:		
Basic	\$0.57	\$0.39
Diluted		