

Edgar Filing: Nuance Communications, Inc. - Form 10-Q

Nuance Communications, Inc.
Form 10-Q
May 07, 2013
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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 March 31, 2013

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-27038

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

Delaware
(State or Other jurisdiction of
incorporation or organization)

94-3156479
(I.R.S. Employer
Identification No.)

1 Wayside Road
Burlington, Massachusetts
(Address of principal executive offices)

01803
(Zip Code)

Registrant's telephone number, including area code:
(781) 565-5000

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. (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

The number of shares of the Registrant's Common Stock, outstanding as of April 30, 2013 was 317,750,908.

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Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements (unaudited)

NUANCE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
	(Unaudited)			
	(In thousands, except per share amounts)			
Revenues:				
Product and licensing	\$ 173,886	\$ 176,466	\$ 371,786	\$ 341,200
Professional services and hosting	213,264	155,535	413,569	295,117
Maintenance and support	63,849	58,340	127,912	114,667
Total revenues	450,999	390,341	913,267	750,984
Cost of revenues:				
Product and licensing	22,943	17,691	49,252	36,455
Professional services and hosting	138,534	97,221	263,690	187,375
Maintenance and support	13,098	10,893	27,895	21,913
Amortization of intangible assets	16,610	14,867	32,920	29,801
Total cost of revenues	191,185	140,672	373,757	275,544
Gross profit	259,814	249,669	539,510	475,440
Operating expenses:				
Research and development	72,553	53,992	141,274	106,046
Sales and marketing	98,348	84,354	215,483	174,751
General and administrative	29,990	41,149	74,774	72,464
Amortization of intangible assets	26,001	21,905	51,427	45,108
Acquisition-related costs, net	15,448	14,986	31,181	29,597
Restructuring and other charges, net	5,062	2,536	6,729	5,400
Total operating expenses	247,402	218,922	520,868	433,366
Income from operations	12,412	30,747	18,642	42,074
Other (expense) income:				
Interest income	405	648	943	1,241
Interest expense	(33,878)	) (19,951)	) (67,995)	) (37,671)
Other (expense) income, net	(4,113)	) 913	(7,421)	) 6,644
(Loss) income before income taxes	(25,174)	) 12,357	(55,831)	) 12,288
Provision (benefit) for income taxes	674	) 11,467	(7,887)	) 2,058
Net (loss) income	\$ (25,848)	) \$ 890	\$ (47,944)	) \$ 10,230
Net (loss) income per share:				
Basic	\$ (0.08)	) \$ 0.00	\$ (0.15)	) \$ 0.03
Diluted	\$ (0.08)	) \$ 0.00	\$ (0.15)	) \$ 0.03
Weighted average common shares outstanding:				
Basic	315,473	305,282	314,006	304,643
Diluted	315,473	322,642	314,006	321,792

See accompanying notes.

NUANCE COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
	Unaudited (In thousands)			
Net (loss) income	\$(25,848)	\$890	\$(47,944)	\$10,230
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(17,972)	16,479	(10,861)	1,674
Recognition of pension loss amortization	33	24	166	70
Unrealized losses on marketable securities	—	6	—	4
Unrealized gains on cash flow hedge derivatives	—	(20)	—	(20)
Total other comprehensive (loss) income, net	(17,939)	16,489	(10,695)	1,728
Comprehensive (loss) income	\$(43,787)	\$17,379	\$(58,639)	\$11,958

See accompanying notes.

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CONSOLIDATED BALANCE SHEETS

	March 31, 2013	September 30, 2012
	(Unaudited)	
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,005,302	\$1,129,761
Accounts receivable, less allowances for doubtful accounts of \$6,334 and \$6,933	372,571	381,417
Prepaid expenses and other current assets	108,333	102,564
Deferred tax asset	82,565	87,564
Total current assets	1,568,771	1,701,306
Land, building and equipment, net	132,648	116,134
Goodwill	3,224,086	2,955,477
Intangible assets, net	969,372	906,538
Other assets	195,863	119,585
Total assets	\$6,090,740	\$5,799,040
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$4,847	\$148,542
Redeemable convertible debentures	—	231,552
Contingent and deferred acquisition payments	25,007	49,685
Accounts payable	119,367	113,196
Accrued expenses and other current liabilities	169,324	215,178
Deferred revenue	249,934	206,610
Total current liabilities	568,479	964,763
Long-term debt	2,336,750	1,735,811
Deferred revenue, net of current portion	138,354	108,481
Deferred tax liability	189,282	160,614
Other liabilities	89,018	82,665
Total liabilities	3,321,883	3,052,334
Commitments and contingencies (Notes 4 and 15)		
Equity component of currently redeemable convertible debentures	—	18,430
Stockholders' equity:		
Series B preferred stock, \$0.001 par value; 15,000 shares authorized; 3,562 shares issued and outstanding (liquidation preference \$4,631)	4,631	4,631
Common stock, \$0.001 par value; 560,000 shares authorized; 321,193 and 315,821 shares issued and 317,442 and 312,070 shares outstanding	321	316
Additional paid-in capital	3,007,517	2,908,302
Treasury stock, at cost (3,751 shares)	(16,788)	(16,788)
Accumulated other comprehensive loss	(17,725)	(7,030)
Accumulated deficit	(209,099)	(161,155)
Total stockholders' equity	2,768,857	2,728,276
Total liabilities and stockholders' equity	\$6,090,740	\$5,799,040
See accompanying notes.		

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March	
	31,	2012
	2013	2012
	(Unaudited)	
	(In thousands)	
Cash flows from operating activities:		
Net (loss) income	\$(47,944)	\$10,230
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	102,576	90,290
Stock-based compensation	74,913	70,808
Non-cash interest expense	19,577	16,064
Deferred tax benefit	(24,228)	(11,230)
Other	(1,102)	1,412
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	30,281	(34,298)
Prepaid expenses and other assets	(11,517)	(4,149)
Accounts payable	2,147	15,841
Accrued expenses and other liabilities	9,501	(2,963)
Deferred revenue	61,830	38,048
Net cash provided by operating activities	216,034	190,053
Cash flows from investing activities:		
Capital expenditures	(29,588)	(37,775)
Payments for business and technology acquisitions, net of cash acquired	(474,259)	(126,833)
Proceeds from sales and maturities of marketable securities and other investments	181	20,759
Change in restricted cash balances	—	6,747
Net cash used in investing activities	(503,666)	(137,102)
Cash flows from financing activities:		
Payments of debt	(146,123)	(3,326)
Proceeds from long-term debt, net of issuance costs	352,392	