

NAVTEQ CORP
Form 10-Q
August 04, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 2, 2006

OR

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

Commission File Number 0-21323

NAVTEQ CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

**222 Merchandise Mart, Suite 900
Chicago, Illinois 60654**
(Address of Principal Executive

77-0170321

(I.R.S. Employer Identification No.)

(312) 894-7000
(Registrant's Telephone Number,

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Offices, including Zip Code)

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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, \$0.001 par value, outstanding as of July 24, 2006 was 93,268,382.

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References in this Quarterly Report on Form 10-Q to NAVTEQ, the Company, we, us, and our refer to NAVTEQ Corporation and its subsidiaries.

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections about our industry, our beliefs and our assumptions. Words such as anticipates, expects, intends, plans, believes, seeks, may, will, should and estimates, and variations of these words and similar expressions, are intended forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed, implied or forecast in the forward-looking statements. In addition, the forward-looking events discussed in this quarterly report might not occur. These risks and uncertainties include, among others, those set forth under Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, Part II Item 1A. Risk Factors in this quarterly report and elsewhere in this document. Readers are cautioned not to place undue reliance on these forward-looking statements. Readers should read this quarterly report, and the documents that we refer to in this quarterly report and have filed as exhibits to this quarterly report, with the understanding that actual future results and events may be materially different from what we currently expect.

The forward-looking statements included in this quarterly report reflect our views and assumptions only as of the date of this quarterly report. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

NAVTEQ is a trademark of NAVTEQ Corporation.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

NAVTEQ CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except per share amounts)

	December 31, 2005	July 2, 2006 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 85,070	49,117
Short-term marketable securities	84,299	184,367
Accounts receivable, net of allowance for doubtful accounts of \$4,258 and \$8,504 in 2005 and 2006, respectively	82,352	85,181
Deferred income taxes, net	42,584	19,526
Prepaid expenses and other current assets	15,203	16,451
Total current assets	309,508	354,642
Property and equipment, net	20,828	21,655
Capitalized software development costs, net	25,761	24,041
Long-term deferred income taxes, net	169,264	179,289
Long-term marketable securities	49,429	26,065
Acquired intangible assets, net	16,815	18,117
Goodwill	11,778	15,133
Deposits and other assets	12,505	12,422
Total assets	\$ 615,888	651,364
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 19,572	12,978
Accrued payroll and related liabilities	28,365	26,368
Other accrued expenses	28,658	27,139
Deferred revenue	38,703	32,865
Fair value of foreign currency derivative	3,265	
Total current liabilities	118,563	99,350
Long-term deferred revenue	3,446	2,932
Other long-term liabilities	3,815	2,796
Total liabilities	125,824	105,078
Stockholders equity:		
Common stock, \$0.001 par value; 400,000 shares authorized; 92,086 and 93,223 shares issued and outstanding in 2005 and 2006, respectively	92	93
Additional paid-in capital	822,356	824,883
Deferred compensation expense	(9,096))
Accumulated other comprehensive loss:		
Cumulative translation adjustment	(25,890)	) (21,265)
Unrealized holding loss on available-for-sale marketable securities, net of tax	(514)	) (489)
Total accumulated other comprehensive loss	(26,404)	) (21,754)
Accumulated deficit	(296,884)	) (256,936)
Total stockholders equity	490,064	546,286
Total liabilities and stockholders equity	\$ 615,888	651,364

See accompanying notes to condensed consolidated financial statements.

NAVTEQ CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Quarter Ended June 26, 2005	July 2, 2006	Six Months Ended June 26, 2005	July 2, 2006
Net revenue	\$ 122,832	135,945	\$ 227,529	258,270
Operating costs and expenses:				
Database creation and distribution costs	57,433	65,686	108,321	128,537
Selling, general and administrative expenses	27,957	37,133	56,935	75,884
Total operating costs and expenses	85,390	102,819	165,256	204,421
Operating income	37,442	33,126	62,273	53,849
Other income (expense):				
Interest income, net	787	2,566	1,433	4,803
Foreign currency gain (loss)	63	(530)	(10)	(424)
Other income (expense)	(13)	(2)	15)	(11)
Income before income taxes	38,279	35,160	63,711	58,217
Income tax expense	13,015	11,396	21,662	18,775
Net income before cumulative effect of change in accounting principle	25,264	23,764	42,049	39,442
Cumulative effect of change in accounting principle, net of income tax of \$312				506
Net income	\$ 25,264	23,764	\$ 42,049	39,948
Earnings per share of common stock before cumulative effect of change in accounting principle:				
Basic	\$ 0.28	0.26	\$ 0.47	0.43
Diluted	\$ 0.27	0.25	\$ 0.45	0.41
Cumulative effect of change in accounting principle per share of common stock:				
Basic	\$		\$	0.01
Diluted	\$		\$	0.01
Earnings per share of common stock:				
Basic	\$ 0.28	0.26	\$ 0.47	0.43
Diluted	\$ 0.27	0.25	\$ 0.45	0.42
Weighted average shares of common stock outstanding:				
Basic	89,773	93,023	89,199	92,680
Diluted	93,854	95,754	93,678	95,644

See accompanying notes to condensed consolidated financial statements.

NAVTEQ CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended		July 2, 2006	
	June 26, 2005			
Cash flows from operating activities:				
Net income	\$42,049		39,948	
Adjustments to reconcile net income to net cash provided by operating activities:				
Cumulative effect of change in accounting principle			(506)
Deferred income taxes	18,230		13,661	
Depreciation and amortization	4,162		5,317	
Amortization of software development costs	6,115		7,256	
Amortization of acquired intangible assets			1,717	
Foreign currency loss	10		424	
Provision for bad debts	1,787		4,739	
Stock compensation expense	4,819		8,542	
Tax benefit on non-qualified stock options	3,060			
Noncash other	572		845	
Changes in operating assets and liabilities:				
Accounts receivable	(27,490	)	(3,997)
Prepaid expenses and other current assets	(2,477	)	(545)
Deposits and other assets	(1,005	)	981	
Accounts payable	(2,671	)	(7,198)
Accrued payroll and related liabilities	(3,521	)	(2,879)
Other accrued expenses	(3,716	)	(7,024)
Deferred revenue	3,256		(7,642)
Other long-term liabilities	(714	)	(1,235)
Net cash provided by operating activities	42,466		52,404	
Cash flows from investing activities:				
Acquisition of property and equipment	(2,532	)	(5,919)
Capitalized software development costs	(6,128	)	(5,536)
Purchases of marketable securities	(84,287	)	(197,687)
Sales of marketable securities	69,234		120,616	
Purchase of investments	(500)		
Payments for acquisitions			(5,044)
Note receivable			(300)
Net cash used in investing activities	(24,213	)	(93,870)
Cash flows from financing activities:				
Issuance of common stock and related tax benefits	2,667		3,900	
Net cash provided by financing activities	2,667		3,900	
Effect of exchange rate changes on cash	(3,290	)	1,613	
Net increase (decrease) in cash and cash equivalents	17,630		(35,953)
Cash and cash equivalents at beginning of period	30,101		85,070	
Cash and cash equivalents at end of period	\$47,731		49,117	
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest				