

PEGASYSTEMS INC
Form 10-Q
November 09, 2011
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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 September 30, 2011

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: 1-11859

PEGASYSTEMS INC.

(Exact name of Registrant as specified in its charter)

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

101 Main Street Cambridge, MA
(Address of principal executive offices)

(617) 374-9600

(Registrant's telephone number including area code)

04-2787865
(IRS Employer

Identification No.)

02142-1590
(Zip 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 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 Smaller reporting company
(Do not check if 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

There were 37,688,744 shares of the Registrant's common stock, \$.01 par value per share, outstanding on October 27, 2011.

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(in thousands)

	As of September 30, 2011	As of December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,603	\$ 71,127
Marketable securities	46,671	16,124
Total cash, cash equivalents, and marketable securities	98,274	87,251
Trade accounts receivable, net of allowance of \$1,153 and \$1,159	79,121	79,896
Deferred income taxes	4,820	4,770
Income taxes receivable	21,272	9,266
Other current assets	7,680	7,473
Total current assets	211,167	188,656
Property and equipment, net	11,601	11,010
Long-term deferred income taxes	32,673	33,769
Long-term other assets	1,991	2,905
Intangible assets, net	72,177	80,684
Goodwill	20,451	20,451
Total assets	\$ 350,060	\$ 337,475
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 6,001	6,286
Accrued expenses	19,959	24,736
Accrued compensation and related expenses	23,243	27,125
Deferred revenue	67,316	56,903
Total current liabilities	116,519	115,050
Income taxes payable	2,380	5,783
Long-term deferred revenue	15,722	17,751
Other long-term liabilities	3,674	3,221
Total liabilities	138,295	141,805
Commitments and contingencies		
Stockholders equity:		
Preferred stock, 1,000 shares authorized; no shares issued and outstanding		
Common stock, 70,000 shares authorized; 37,681 shares and 37,250 shares		
issued and outstanding	377	372
Additional paid-in capital	129,050	122,607
Retained earnings	80,016	71,431
Accumulated other comprehensive income	2,322	1,260

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Total stockholders' equity	211,765	195,670
Total liabilities and stockholders' equity	\$ 350,060	\$ 337,475

See notes to unaudited condensed consolidated financial statements.

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(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue:				
Software license	\$ 25,346	\$ 33,889	\$ 93,453	\$ 92,432
Maintenance	29,971	23,418	85,713	58,892
Professional services	40,186	32,709	122,215	96,022
Total revenue	95,503	90,016	301,381	247,346
Cost of revenue:				
Cost of software license	1,637	1,571	4,942	2,711
Cost of maintenance	2,980	3,187	9,614	7,839
Cost of professional services	37,194	30,232	107,668	82,136
Total cost of revenue	41,811	34,990	122,224	92,686
Gross profit	53,692	55,026	179,157	154,660
Operating expenses:				
Selling and marketing	32,463	31,199	103,707	82,988
Research and development	16,218	14,924	47,047	40,560
General and administrative	7,222	6,442	21,193	18,246
Acquisition-related costs	-	111	482	5,014
Restructuring costs	(203)	407	(62)	6,487
Total operating expenses	55,700	53,083	172,367	153,295
(Loss) income from operations	(2,008)	1,943	6,790	1,365
Foreign currency transaction (loss) gain	(1,049)	1,513	140	(4,103)
Interest income, net	102	180	279	916
Other income, net	504	572	365	814
(Loss) income before (benefit) provision for income taxes	(2,451)	4,208	7,574	(1,008)
(Benefit) provision for income taxes	(7,410)	1,069	(4,389)	190
Net income (loss)	\$ 4,959	\$ 3,139	\$ 11,963	\$ (1,198)
Earnings (loss) per share:				
Basic	\$ 0.13	\$ 0.08	\$ 0.32	\$ (0.03)
Diluted	\$ 0.13	\$		