

PEGASYSTEMS INC
Form 10-Q
August 09, 2012
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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 June 30, 2012

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)*

04-2787865
*(IRS Employer
Identification No.)*

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

02142-1590
(Zip Code)

(617) 374-9600

(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 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 37,906,098 shares of the Registrant's common stock, \$.01 par value per share, outstanding on July 30, 2012.

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(in thousands)

	As of June 30, 2012	As of December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 54,827	\$ 60,353
Marketable securities	48,037	51,079
Total cash, cash equivalents, and marketable securities	102,864	111,432
Trade accounts receivable, net of allowance of \$1,165 and \$926	92,542	98,293
Deferred income taxes	9,827	9,826
Income taxes receivable	10,035	7,545
Other current assets	5,512	4,865
Total current assets	220,780	231,961
Property and equipment, net	28,175	14,458
Long-term deferred income taxes	43,581	43,286
Long-term other assets	1,782	2,186
Intangible assets, net	63,787	69,369
Goodwill	20,451	20,451
Total assets	\$ 378,556	\$ 381,711
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 7,405	10,899
Accrued expenses	21,597	18,336
Accrued compensation and related expenses	26,240	39,170
Deferred revenue	79,358	73,840
Total current liabilities	134,600	142,245
Income taxes payable	9,633	9,547
Long-term deferred revenue	11,898	15,367
Other long-term liabilities	10,813	5,796
Total liabilities	166,944	172,955
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 1,000 shares authorized; no shares issued and outstanding		
Common stock, 100,000 shares and 70,000 shares authorized; 37,890 shares and 37,712 shares issued and outstanding	379	377
Additional paid-in capital	133,057	129,701
Retained earnings	76,547	77,029
Accumulated other comprehensive income	1,629	1,649
Total stockholders' equity	211,612	208,756

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Total liabilities and stockholders' equity	\$ 378,556	\$ 381,711
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See notes to unaudited condensed consolidated financial statements.

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(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue:				
Software license	\$ 30,999	\$ 34,645	\$ 66,942	\$ 68,107
Maintenance	34,495	28,294	65,340	55,742
Professional services	39,562	40,579	83,941	82,029
Total revenue	105,056	103,518	216,223	205,878
Cost of revenue:				
Cost of software license	1,579	1,631	3,178	3,305
Cost of maintenance	3,718	3,260	7,327	6,634
Cost of professional services	34,690	35,506	71,016	70,474
Total cost of revenue	39,987	40,397	81,521	80,413
Gross profit	65,069	63,121	134,702	125,465
Operating expenses:				
Selling and marketing	41,188	37,208	79,583	71,244
Research and development	18,901	15,696	37,905	30,829
General and administrative	7,664	6,839	13,979	13,971
Acquisition-related costs		144		482
Restructuring costs				141
Total operating expenses	67,753	59,887	131,467	116,667
(Loss) income from operations	(2,684)	3,234	3,235	8,798
Foreign currency transaction (loss) gain	(841)	173	(101)	1,189
Interest income, net	94	91	205	177
Other income (expense), net	263	(167)	(576)	(139)
(Loss) income before (benefit) provision for income taxes	(3,168)	3,331	2,763	10,025
(Benefit) provision for income taxes	(901)	1,058	973	3,021
Net (loss) income	\$ (2,267)	\$ 2,273	\$ 1,790	\$ 7,004
(Loss) earnings per share:				
Basic	\$ (0.06)	\$ 0.06	\$ 0.05	\$ 0.19
Diluted	\$ (0.06)	\$ 0.06	\$ 0.05	\$ 0.18
Weighted-average number of common shares outstanding				
Basic	37,865	37,405	37,812	37,341
Diluted	37,865			