

CADENCE DESIGN SYSTEMS INC

Form 10-Q

July 27, 2007

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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, 2007**
- 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 0-15867

CADENCE DESIGN SYSTEMS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

77-0148231
(I.R.S. Employer
Identification No.)

2655 Seely Avenue, Building 5, San Jose, California
(Address of Principal Executive Offices)

95134
(Zip Code)

(408) 943-1234
Registrant's Telephone Number, including Area Code

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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. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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

On June 30, 2007, 277,528,689 shares of the registrant's common stock, \$0.01 par value, were outstanding.

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CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)****ASSETS**

	June 30, 2007	December 30, 2006
Current Assets:		
Cash and cash equivalents	\$ 1,128,529	\$ 934,342
Short-term investments	20,245	24,089
Receivables, net of allowances of \$3,368 and \$3,804, respectively	242,353	238,438
Inventories	38,170	37,179
Prepaid expenses and other	90,369	77,957
Total current assets	1,519,666	1,312,005
Property, plant and equipment, net of accumulated depreciation of \$604,156 and \$615,768, respectively	331,585	354,575
Goodwill	1,262,227	1,267,579
Acquired intangibles, net	98,242	112,738
Installment contract receivables	199,113	149,584
Other assets	353,141	246,341
Total Assets	\$ 3,763,974	\$ 3,442,822

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities:		
Current portion of long-term debt	\$ ----	\$ 28,000
Accounts payable and accrued liabilities	216,740	259,790
Current portion of deferred revenue	251,731	260,275
Total current liabilities	468,471	548,065
Long-Term Liabilities:		
Long-term portion of deferred revenue	84,757	95,018
Convertible notes	730,385	730,385
Other long-term liabilities	427,961	370,063
Total long-term liabilities	1,243,103	1,195,466

Stockholders' Equity:		
Common stock and capital in excess of par value	1,472,577	1,398,899
Treasury stock, at cost	(404,119)	(544,855)
Retained earnings	971,762	832,763
Accumulated other comprehensive income	12,180	12,484
Total stockholders' equity	2,052,400	1,699,291
Total Liabilities and Stockholders' Equity	\$ 3,763,974	\$ 3,442,822

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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CADENCE DESIGN SYSTEMS, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenue:				
Product	\$ 263,793	\$ 232,143	\$ 501,697	\$ 440,265
Services	32,816	33,105	64,738	65,536
Maintenance	94,352	93,265	189,711	180,926
Total revenue	390,961	358,513	756,146	686,727
Costs and Expenses:				
Cost of product	12,827	20,092	28,479	40,572
Cost of services	23,442	23,894	47,057	47,961
Cost of maintenance	15,295	15,860	30,418	31,910
Marketing and sales	98,063	97,089	200,761	191,565
Research and development	122,962	115,537	240,027	231,798
General and administrative	41,808	38,986	82,419	74,027
Amortization of acquired intangibles	4,413	5,026	8,922	13,376
Restructuring and other charges (credits)	(1,573)	(281)	(2,518)	(711)
Write-off of acquired in-process technology	----	----	----	900
Total costs and expenses	317,237	316,203	635,565	631,398
Income from operations	73,724	42,310	120,581	55,329
Interest expense	(3,064)	(3,381)	(6,524)	(6,921)
Other income, net	14,207	14,748	33,737	43,198
Income before provision for income taxes and cumulative effect of change in accounting principle	84,867	53,677	147,794	91,606
Provision for income taxes	25,271	23,289	43,777	39,857
Net income before cumulative effect of change in accounting principle	59,596	30,388	104,017	51,749
Cumulative effect of change in accounting principle, net of tax	----	----	----	418
Net income	\$ 59,596	\$ 30,388	\$ 104,017	\$ 52,167
Net income per share before cumulative effect of change in accounting principle:				
Basic	\$ 0.22	\$ 0.11	\$ 0.38	\$ 0.18

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Diluted	\$	0.20	\$	0.10	\$	0.35	\$	0.17
Net income per share after cumulative effect of change in accounting principle:								
Basic	\$	0.22	\$	0.11	\$	0.38	\$	0.19
Diluted	\$	0.20	\$	0.10	\$	0.35	\$	0.17
Weighted average common shares outstanding	basic	274,425		282,313		272,043		281,960
Weighted average common shares outstanding	diluted	302,746		317,000		297,048		316,048

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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CADENCE DESIGN SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	June 30, 2007	July 1, 2006
Cash and Cash Equivalents at Beginning of Period	\$ 934,342	\$ 861,315
Cash Flows from Operating Activities:		
Net income	104,017	52,167
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	----	(418)
Depreciation and amortization	63,308	79,544
Stock-based compensation	54,709	56,164
Equity in loss from investments, net	1,720	600
Gain on investments, net	(12,093)	(25,138)
Gain on sale and leaseback of land and buildings	(12,071)	----
Write-down of investment securities	550	1,001
Write-off of acquired in-process technology	----	900
Tax benefit of call options	4,292	2,431
Deferred income taxes	1,332	8,293
Proceeds from the sale of receivables, net	76,311	74,016
Recoveries for gains on trade accounts receivable and sales returns	(106)	(1,550)
Other non-cash items	5,045	4,980
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	24,168	38,052
Installment contract receivables	(153,636)	(113,939)
Inventories	(972)	690
Prepaid expenses and other	(7,760)	(11,477)
Other assets	810	(1,099)
Accounts payable and accrued liabilities	(19,493)	(68,035)
Deferred revenue	(16,926)	46,864
Other long-term liabilities	6,940	12,303
Net cash provided by operating activities	120,145	156,349
Cash Flows from Investing Activities:		
Proceeds from sale of available-for-sale securities	3,059	3,687
Proceeds from sale of short-term investments	197	----
Proceeds from the sale of long-term investments	6,241	20,000
Proceeds from the sale of property, plant and equipment	46,500	----
Purchases of property, plant and equipment	(37,996)	(34,942)
Purchases of software licenses	----	(6,409)
Investment in venture capital partnerships and equity investments	(1,948)	(2,000)

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Cash paid in business combinations and asset acquisitions, net of cash acquired, and acquisition of intangibles	(7,394)	(43,710)
Net cash provided by (used for) investing activities	8,659	(63,374)
Cash Flows from Financing Activities:		
Principal payments on term loan	(28,000)	(66,000)
Tax benefit from employee stock transactions	17,732	7,173
Proceeds from issuance of common stock	205,219	95,973
Purchases of treasury stock	(131,792)	(160,830)
Net cash provided by (used for) financing activities		