

CADENCE DESIGN SYSTEMS INC
Form 10-Q
October 28, 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 October 1, 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 0-15867

CADENCE DESIGN SYSTEMS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of

77-0148231
(I.R.S. Employer

Incorporation or Organization)

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

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. (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

On October 1, 2011, 272,333,660 shares of the registrant's common stock, \$0.01 par value, were outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CADENCE DESIGN SYSTEMS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)****ASSETS**

	October 1, 2011	January 1, 2011
Current Assets:		
Cash and cash equivalents	\$ 696,101	\$ 557,409
Short-term investments	2,959	12,715
Receivables, net of allowances of \$65 and \$7,604, respectively	152,433	191,893
Inventories	47,056	39,034
Prepaid expenses and other	59,910	78,355
Total current assets	958,459	879,406
Property, plant and equipment, net of accumulated depreciation of \$650,786 and \$648,676, respectively	259,940	285,115
Goodwill	192,153	158,893
Acquired intangibles, net of accumulated amortization of \$84,725 and \$105,158, respectively	180,045	179,198
Installment contract receivables	9,178	23,380
2015 Notes Hedges	179,658	130,211
Other assets	81,244	75,913
Total Assets	\$ 1,860,677	\$ 1,732,116

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities:		
Convertible notes	\$ 148,530	\$ 143,258
Accounts payable and accrued liabilities	140,422	216,864
Current portion of deferred revenue	360,580	337,426
Total current liabilities	649,532	697,548
Long-Term Liabilities:		
Long-term portion of deferred revenue	88,039	85,400
Convertible notes	420,982	406,404
2015 Notes Embedded Conversion Derivative	179,658	130,211
Other long-term liabilities	145,870	135,899
Total long-term liabilities	834,549	757,914
Commitments and Contingencies (Note 9 and Note 14)		
Stockholders Equity:		
Common stock and capital in excess of par value	1,713,151	1,715,541
Treasury stock, at cost	(294,285)	(353,090)

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Accumulated deficit	(1,092,468)	(1,138,853)
Accumulated other comprehensive income	50,198	53,056
Total stockholders' equity	376,596	276,654
Total Liabilities and Stockholders' Equity	\$ 1,860,677	\$ 1,732,116

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

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

	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Revenue:				
Product	\$ 163,966	\$ 118,221	\$ 463,723	\$ 338,053
Services	29,102	23,945	86,384	75,123
Maintenance	99,389	95,768	291,722	273,760
Total revenue	292,457	237,934	841,829	686,936
Costs and Expenses:				
Cost of product	18,185	10,757	52,453	23,172
Cost of services	20,410	19,102	61,101	62,583
Cost of maintenance	11,223	9,960	32,837	31,839
Marketing and sales	79,914	76,065	235,292	222,340
Research and development	103,154	97,275	303,721	278,585
General and administrative	24,041	25,081	68,720	64,973
Amortization of acquired intangibles	3,786	4,459	12,750	9,701
Restructuring and other charges (credits)	(433)	(1,682)	277	(3,073)
Total costs and expenses	260,280	241,017	767,151	690,120
Income (loss) from operations	32,177	(3,083)	74,678	(3,184)
Interest expense	(10,830)	(10,476)	(32,584)	(25,879)
Other income (expense), net	7,244	(2,907)	20,107	(33)
Income (loss) before provision (benefit) for income taxes	28,591	(16,466)	62,201	(29,096)
Provision (benefit) for income taxes	485	(143,219)	864	(192,671)
Net income	\$ 28,106	\$ 126,753	\$ 61,337	\$ 163,575
Basic net income per share	\$ 0.11	\$ 0.49	\$ 0.23	\$ 0.63
Diluted net income per share	\$ 0.10	\$ 0.48	\$ 0.23	\$ 0.62
Weighted average common shares outstanding basic	264,723	258,606	263,149	261,122
Weighted average common shares outstanding diluted	270,741	263,302	270,068	265,383

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

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

	Nine Months Ended	
	October 1, 2011	October 2, 2010
Cash and Cash Equivalents at Beginning of Period	\$ 557,409	\$ 569,115
Cash Flows from Operating Activities:		
Net income	61,337	163,575
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,934	64,795
Amortization of debt discount and fees	22,068	18,331
Loss on extinguishment of debt		5,321
Stock-based compensation	31,589	32,817
Loss from equity method investments	104	105
Gain on investments, net	(19,324)	(5,133)
Gain on sale of property, plant and equipment		(799)
Write-down of investment securities		1,500
Non-cash restructuring and other charges	202	272
Impairment of property, plant and equipment		491
Deferred income taxes		