

OPNET TECHNOLOGIES INC

Form 10-Q

February 08, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended December 31, 2011

OR

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

(Commission file number: 000-30931)

OPNET TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	7372 (Primary Standard Industrial Classification Code Number) 7255 Woodmont Avenue Bethesda, MD 20814 (Address of principal executive office) (240) 497-3000 (Registrant's telephone number, including area code)	52-1483235 (I.R.S. Employer Identification No.)
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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 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 definitions of "large accelerated filer", "accelerated filer", or "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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 outstanding on February 2, 2012 was 22,563,035.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Condensed Consolidated Financial Statements****OPNET TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

(unaudited)

	December 31, 2011	March 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 57,967	\$ 83,296
Marketable securities	39,837	31,432
Accounts receivable, net of \$434 and \$346 in allowance for doubtful accounts at December 31 and March 31, 2011, respectively	43,624	32,597
Unbilled accounts receivable	1,267	1,915
Inventory	257	666
Deferred income taxes, prepaid expenses and other current assets	6,935	4,289
	149,887	154,195
Property and equipment, net	13,895	12,701
Intangible assets, net	2,820	4,507
Goodwill	15,406	15,406
Deferred income taxes and other assets	5,458	5,014
Total assets	\$ 187,466	\$ 191,823
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,112	\$ 1,247
Accrued liabilities	15,081	14,698
Other income taxes	489	186
Deferred rent	219	182
Deferred revenue	44,375	42,282
Total current liabilities	61,276	58,595
Accrued liabilities	148	107
Deferred rent	2,737	2,422
Deferred revenue	5,411	5,215
Other income taxes	741	661
Total liabilities	\$ 70,313	\$ 67,000

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Commitments and contingencies (Note 12)

Stockholders' equity:		
Common stock-par value \$0.001; 100,000,000 shares authorized; 30,205,418 and 29,883,409 shares issued at December 31 and March 31, 2011, respectively; 22,527,997 and 22,228,504 shares outstanding at December 31 and March 31, 2011, respectively	30	30
Additional paid-in capital	127,832	121,230
Retained earnings	12,424	25,348
Accumulated other comprehensive loss	(1,170)	(649)
Treasury stock, at cost 7,677,421 and 7,654,905 shares at December 31 and March 31, 2011, respectively	(21,963)	(21,136)
Total stockholders' equity	117,153	124,823
 Total liabilities and stockholders' equity	 \$ 187,466	 \$ 191,823

See accompanying notes to condensed consolidated financial statements.

Table of Contents**OPNET TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

(unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2011	2010	2011	2010
Revenue:				
Product	\$ 24,426	\$ 20,177	\$ 64,454	\$ 50,822
Product updates, technical support and services	15,749	13,908	45,854	39,280
Professional services	5,812	5,593	17,847	16,779
Total revenue	45,987	39,678	128,155	106,881
Cost of revenue:				
Product	4,319	2,893	10,718	6,672
Product updates, technical support and services	1,488	1,269	4,315	3,827
Professional services	4,077	3,689	11,694	12,186
Amortization of acquired technology and customer relationships	535	553	1,611	1,511
Total cost of revenue	10,419	8,404	28,338	24,196
Gross profit	35,568	31,274	99,817	82,685
Operating expenses:				
Research and development	9,275	8,757	27,605	25,398
Sales and marketing	14,923	13,265	40,993	35,117
General and administrative	3,078	3,649	9,371	9,607
Total operating expenses	27,276	25,671	77,969	70,122
Income from operations	8,292	5,603	21,848	12,563
Interest and other expense, net	(5)	(54)	(64)	(85)
Income before provision for income taxes	8,287	5,549	21,784	12,478
Provision for income taxes	2,964	1,225	7,486	3,900
Net income	\$ 5,323	\$ 4,324	\$ 14,298	\$ 8,578
Basic net income per common share	\$ 0.23	\$ 0.19	\$ 0.63	\$ 0.40
Diluted net income per common share	\$ 0.23	\$ 0.19	\$ 0.62	\$ 0.38

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Basic weighted average common shares outstanding	22,304	21,608	22,192	21,263
Diluted weighted average common shares outstanding	22,736	22,230	22,667	21,921

See accompanying notes to condensed consolidated financial statements.

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	Nine Months Ended December 31,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 14,298	\$ 8,578
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,703	4,284
Provision for losses on accounts receivable	142	473
Deferred income taxes	(711)	(526)
Non-cash stock-based compensation expense	1,844	1,456
Non-cash accretion of market discount on marketable securities	63	35
Loss on disposition of fixed assets	17	18
Changes in assets and liabilities, net of assets acquired:		
Accounts receivable	(10,497)	(1,684)
Inventory	43	628
Prepaid expenses and other current assets	(435)	