

OPNET TECHNOLOGIES INC

Form 10-Q

November 06, 2006

Table of Contents

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 September 30, 2006

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)

Edgar Filing: OPNET TECHNOLOGIES INC - Form 10-Q

Delaware
(State or other jurisdiction of incorporation or organization)

7372
(Primary Standard Industrial
Classification Code Number)

52-1483235
(I.R.S. Employer
Identification No.)

7255 Woodmont Avenue

Bethesda, MD 20814

(Address of principal executive office)

(240) 497-3000

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer or large accelerated filer in Rule 12b-2 of the Exchange Act.

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

The number of shares of the registrant's Common Stock outstanding on October 31, 2006 was 20,460,991.

Table of Contents

TABLE OF CONTENTS

	Page
	<u> </u>
PART I	
FINANCIAL INFORMATION	
ITEM	
1.	
<u>Condensed Consolidated Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2006 and March 31, 2006</u>	3
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended September 30, 2006 and 2005</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2006 and 2005</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
3.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	25
4.	
<u>Controls and Procedures</u>	25
PART II	
OTHER INFORMATION	
1.	
<u>Legal Proceedings</u>	26
1A.	
<u>Risk Factors</u>	26
2.	
<u>Unregistered Sales of Securities and Use of Proceeds</u>	33
4.	
<u>Submission of Matters to a Vote of the Security Holders</u>	34
6.	
<u>Exhibits</u>	34
<u>Signatures</u>	35
<u>Exhibit Index</u>	36

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

(in thousands, except per share data)

(unaudited)

	September 30,	March 31
	2006	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 44,112	\$ 66,710
Marketable securities	42,316	19,151
Accounts receivable, net of \$144 and \$140 in allowance for doubtful accounts at September 30, and March 31, 2006, respectively	16,900	12,765
Unbilled accounts receivable	4,123	2,616
Deferred income taxes, prepaid expenses and other current assets	3,307	2,339
	<u>110,758</u>	<u>103,581</u>
Total current assets	110,758	103,581
Property and equipment, net	6,322	6,088
Intangible assets, net	1,245	1,240
Goodwill	14,639	14,639
Deferred income taxes and other assets	1,673	1,799
	<u>134,637</u>	<u>127,347</u>
Total assets	\$ 134,637	\$ 127,347
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 423	\$ 1,019
Accrued liabilities	7,543	8,539
Deferred and accrued income taxes	361	527
Current portion of notes payable	47	47
Deferred rent	138	89
Deferred revenue	18,881	15,800
	<u>27,346</u>	<u>26,021</u>
Total current liabilities	27,346	26,021
Accrued liabilities	127	
Notes payable		103
Deferred rent	950	1,033
Deferred revenue	706	779
Deferred income tax	14	13

Edgar Filing: OPNET TECHNOLOGIES INC - Form 10-Q

Total liabilities	29,143	27,949
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock-par value \$0.001; 100,000 authorized; 26,974 and 26,738 shares issued at September 30 and March 31, 2006, respectively; 20,396 and 20,194 shares outstanding at September 30 and March 31, 2006, respectively	27	27
Additional paid-in capital	83,242	80,984
Deferred compensation		(393)
Retained earnings	30,213	26,850
Accumulated other comprehensive income (loss)	190	(345)
Treasury stock, at cost 6,577 and 6,543 shares at September 30, and March 31, 2006, respectively	(8,178)	(7,725)
Total stockholders' equity	105,494	99,398
Total liabilities and stockholders' equity	\$ 134,637	\$ 127,347

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		Six Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Revenue:				
New software licenses	\$ 11,183	\$ 7,584	\$ 21,509	\$ 14,210
Software license updates and technical support	6,983	5,951	13,437	11,724
Professional services	5,451	4,729	11,303	8,807
Total revenue	23,617	18,264	46,249	34,741
Cost of revenue:				
New software licenses	195	182	321	362
Software license updates and technical support	761	673	1,468	1,293
Professional services	3,782	3,170	7,523	6,444
Amortization of acquired technology	186	192	377	383
Total cost of revenue	4,924	4,217	9,689	8,482
Gross profit	18,693	14,047	36,560	26,259
Operating expenses:				
Research and development	5,373	4,677	10,589	9,188
Sales and marketing	8,904	6,258	16,967	12,176
General and administrative	2,620	3,091	5,388	6,041
Total operating expenses	16,897	14,026	32,944	27,405
Income (loss) from operations	1,796	21	3,616	(1,146)
Interest and other income, net	988	614	1,891	1,127
Income (loss) before provision for income taxes	2,784	635	5,507	(19)
Provision (benefit) for income taxes	1,057	195	2,144	(5)
Net income (loss)	\$ 1,727	\$ 440	\$ 3,363	\$ (14)
Basic net income (loss) per common share	\$ 0.09	\$ 0.02	\$ 0.17	\$ (0.00)
Diluted net income (loss) per common share	\$ 0.08	\$ 0.02	\$ 0.16	\$ (0.00)

Edgar Filing: OPNET TECHNOLOGIES INC - Form 10-Q

Basic weighted average common shares outstanding	20,266	20,311	20,228	20,336
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted weighted average common shares outstanding	21,019	20,552	20,920	20,336
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to condensed consolidated financial statements.

Table of Contents**OPNET TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Six Months Ended September 30,	
	2006	2005
Cash flows from operating activities:		
Net income (loss)	\$ 3,363	\$ (14)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,157	1,164
Provision for losses on accounts receivable	4	(7)
Deferred income taxes	110	815
Non-cash stock-based compensation expense	864	12
Loss on disposition of fixed assets	5	2
Changes in assets and liabilities:		
Accounts receivable	(5,646)	(568)
Prepaid expenses and other current assets	(962)	(205)
Other assets	42	29
Accounts payable	(596)	(674)
Accrued liabilities	(970)	(530)
Accrued income taxes	(196)	(209)
Deferred revenue	3,008	7
Tax benefit from exercise of stock options		(625)
Deferred rent	(34)	22
	<u>149</u>	<u>(781)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(1,020)	(616)
Purchase of investments	(49,888)	(12,727)
Proceeds from sale/maturity of investments	26,700	36,368
Acqu		