

WIND RIVER SYSTEMS INC
Form 10-Q
March 23, 2007
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 October 31, 2006

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 001-33061

WIND RIVER SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

500 Wind River Way, Alameda, California 94501

(Address of principal executive offices, including zip code)

94-2873391
(I.R.S. Employer

Identification Number)

Edgar Filing: WIND RIVER SYSTEMS INC - Form 10-Q

(510) 748-4100

(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 and 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

As of March 1, 2007, there were 85,418,924 shares of the Registrant's \$0.001 par value common stock outstanding.

Table of Contents

WIND RIVER SYSTEMS, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2006

TABLE OF CONTENTS

	Page
Part I- <u>Financial Information</u>	3
Item 1. <u>Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations for the three and nine months ended October 31, 2006 and 2005</u>	3
<u>Condensed Consolidated Balance Sheets as of October 31, 2006 and January 31, 2006</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended October 31, 2006 and 2005</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	28
Part II- <u>Other Information</u>	30
Item 1. <u>Legal Proceedings</u>	30
Item 1A. <u>Risk Factors</u>	30
Item 6. <u>Exhibits</u>	36
<u>Signature</u>	37

Unless stated otherwise, references in this report to Wind River, we, our, us or the Company refer to Wind River Systems, Inc., a Delaware corporation, and its consolidated subsidiaries.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WIND RIVER SYSTEMS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2006	2005	2006	2005
Revenues, net:				
Product	\$ 27,009	\$ 31,445	\$ 85,953	\$ 94,307
Subscription	25,698	18,450	71,542	52,798
Service	17,838	17,712	51,736	49,008
Total revenues, net	70,545	67,607	209,231	196,113
Cost of revenues (1):				
Product	762	1,957	2,254	5,188
Subscription	4,094	2,939	11,921	8,610
Service	10,868	10,119	32,879	28,604
Amortization of purchased intangibles	317	133	829	395
Total cost of revenues	16,041	15,148	47,883	42,797
Gross profit	54,504	52,459	161,348	153,316
Operating expenses (1):				
Selling and marketing	27,474	23,418	83,492	71,588
Product development and engineering	18,673	16,193	54,541	49,862
General and administrative	10,163	6,691	26,710	18,145
Amortization of other intangibles	84	23	212	70
Total operating expenses	56,394	46,325	164,955	139,665
Income (loss) from operations	(1,890)	6,134	(3,607)	13,651
Other income (expense):				
Interest income	2,402	1,523	6,510	4,496
Interest expense	(573)	(616)	(1,825)	(2,500)
Other expense, net	(134)	(239)	(231)	(465)
Total other income, net	1,695	668	4,454	1,531
Income (loss) before income taxes	(195)	6,802	847	15,182
Provision for income taxes	477	1,071	511	1,978
Net income (loss)	\$ (672)	\$ 5,731	\$ 336	\$ 13,204

Edgar Filing: WIND RIVER SYSTEMS INC - Form 10-Q

Net income (loss) per share:

Basic	\$ (0.01)	\$ 0.07	\$ 0.00	\$ 0.16
Diluted	\$ (0.01)	\$ 0.06	\$ 0.00	\$ 0.15

Shares used in per share calculation:

Basic	85,138	85,016	85,483	84,415
Diluted	85,138	89,408	86,795	89,606

- (1) Costs and expenses for the three and nine months ended October 31, 2006 include the impact of the adoption of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, on February 1, 2006. See Note 11 to these condensed consolidated financial statements for additional information.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**WIND RIVER SYSTEMS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except par value)****(Unaudited)**

	October 31, 2006	January 31, 2006 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 88,768	\$ 59,279
Short-term investments	40,973	44,013
Accounts receivable, net	66,190	65,803
Prepaid and other current assets	14,272	13,224
Total current assets	210,203	182,319
Investments	101,666	115,584
Property and equipment, net	75,740	78,514
Goodwill	108,822	91,840
Other intangibles, net	4,021	1,883
Other assets	12,900	13,104
Total assets	\$ 513,352	\$ 483,244
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 5,231	\$ 5,674
Accrued liabilities	13,231	12,260
Accrued compensation	18,836	16,190
Income taxes payable	427	2,249
Deferred revenues	95,512	84,505
Convertible subordinated notes	42,151	42,151
Total current liabilities	175,388	163,029
Long-term deferred revenues	16,450	13,760
Other long-term liabilities	4,437	3,008
Total liabilities	196,275	179,797
Stockholders equity:		
Preferred stock, par value \$0.001, 2,000 shares authorized, 1,250 designated as Series A Junior Participating, 750 undesignated; no shares issued and outstanding		
Common stock, par value \$0.001, 325,000 shares authorized; 88,458 and 87,632 shares issued as of October 31, 2006 and January 31, 2006, respectively; 85,378 and 85,762 shares outstanding as of October 31, 2006 and January 31, 2006, respectively	88	88
Additional paid-in-capital	819,578	798,501
Treasury stock, 3,080 and 1,870 shares at cost as of October 31, 2006 and January 31, 2006, respectively	(46,233)	(35,466)
Accumulated other comprehensive loss	(2,695)	(5,679)
Accumulated deficit	(453,661)	(453,997)
Total stockholders equity	317,077	303,447

Edgar Filing: WIND RIVER SYSTEMS INC - Form 10-Q

Total liabilities and stockholders' equity

\$ 513,352 \$ 483,244

(1) See Note 1 to these condensed consolidated financial statements for corrections to stockholders' equity.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Nine Months Ended	
	October 31,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 336	\$ 13,204
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,154	7,209
Amortization of bond issuance costs	252	263
Stock-based compensation expense	16,780	
401(K) common stock match	1,569	1,334
Realized loss from repurchase of convertible subordinated notes		401
Realized loss from sales of available-for-sale securities, net	230	321
Non-cash restructuring and other charges		313
Changes in assets and liabilities, net of effect of acquisition:		
Accounts receivable	898	6,460
Accounts payable	(391)	(1,350)
Accrued liabilities	(96)	(4,159)
Accrued compensation	2,077	(2,217)
Income taxes payable	(1,822)	(250)
Deferred revenues	12,424	12,493
Other assets and liabilities	(453)	(207)
Net cash provided by operating activities	39,958	33,815
Cash flows from investing activities:		
Acquisitions of property and equipment	(3,567)	(4,696)
Acquisition, net of cash acquired	(17,432)	
Purchase of investments	(56,489)	(33,705)
Sales of investments	2,114	13,894
Maturities of investments	72,285	29,578
Net cash provided by (used in) investing activities	(3,089)	5,071
Cash flows from financing activities:		
Issuance of common stock	5,838	13,540
Repurchase of common stock	(13,878)	(4,995)
Repurchase of convertible subordinated notes		(32,840)
Repayment of loan	(77)	