

NUMERICAL TECHNOLOGIES INC  
Form 10-Q  
July 30, 2002

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**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, 2002**

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: 000-30005

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**NUMERICAL TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-3232104**  
(I.R.S. Employer  
Identification Number)

**70 West Plumeria Drive**  
**San Jose, California**  
(Address of principal executive offices)

**95134-2134**  
(Zip Code)

Registrant's telephone number, including area code: **(408) 919-1910**

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

The number of shares outstanding of the registrant's Common Stock, par value \$0.0001, per share as of July 24, 2002 was 33,866,161.

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## PART I FINANCIAL INFORMATION

Item 1. *Financial Statements*

## NUMERICAL TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except per share data)  
(unaudited)

	June 30, 2002	December 31, 2001
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 51,250	\$ 38,964
Short-term investments	22,174	28,627
Accounts receivable, net of allowance of \$50 and zero in 2002 and 2001, respectively	7,372	7,125
Deferred tax asset	3,517	4,110
Prepaid and other	2,917	1,494
	<u>          </u>	<u>          </u>
Total current assets	87,230	80,320
Property and equipment, net	3,110	2,885
Goodwill and other intangible assets	67,606	128,744
Other assets	299	113
	<u>          </u>	<u>          </u>
	\$ 158,245	\$ 212,062
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,501	\$ 2,041
Accrued expenses and other liabilities	4,127	4,446
Deferred revenue	11,714	9,034
	<u>          </u>	<u>          </u>
Total current liabilities	18,342	15,521
	<u>          </u>	<u>          </u>
Deferred tax liability	4,403	7,354
	<u>          </u>	<u>          </u>
Stockholders' equity:		
Convertible preferred stock, \$0.0001 par value:		
Authorized: 5,000 shares;		
Issued and outstanding: none		
Common stock, \$0.0001 par value:		
Authorized: 100,000 shares;		
Issued and outstanding: 33,859 and 33,552 shares in 2002 and 2001, respectively	3	3
Additional paid in capital	321,611	319,544
Receivable from stockholders	(3,563)	(4,163)
Deferred stock-based compensation	(3,710)	(6,917)
Accumulated deficit	(178,789)	(119,184)
Accumulated other comprehensive loss	(52)	(96)
	<u>          </u>	<u>          </u>
Total stockholders' equity	135,500	189,187
	<u>          </u>	<u>          </u>
	\$ 158,245	\$ 212,062
	<u>          </u>	<u>          </u>

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See the accompanying notes to these condensed consolidated financial statements.

## NUMERICAL TECHNOLOGIES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Revenue	\$ 11,088	\$ 11,703	\$ 24,182	\$ 22,023
Costs and expenses:				
Cost of revenue	837	1,180	1,842	2,103
Research and development	4,423	3,917	8,917	7,810
Sales and marketing	3,803	3,809	7,518	7,431
General and administrative	1,765	1,758	3,596	3,405
Depreciation and amortization	2,129	12,191	4,262	24,561
Impairment of goodwill and other intangible assets	57,312		57,312	
Stock-based compensation(*)	1,064	4,495	2,888	10,227
Total costs and expenses	71,333	27,350	86,335	55,537
Loss from operations	(60,245)	(15,647)	(62,153)	(33,514)
Interest income and other	438	679	839	1,539
Loss before benefit from income taxes	(59,807)	(14,968)	(61,314)	(31,975)
Benefit from income taxes	1,704	254	1,709	1,065
Net Loss	\$ (58,103)	\$ (14,714)	\$ (59,605)	\$ (30,910)
Net loss per common share, basic and diluted	\$ (1.80)	\$ (0.49)	\$ (1.86)	\$ (1.03)
Weighted average common shares outstanding, basic and diluted	32,226	30,238	32,050	29,886
(*)Stock-based compensation				
Cost of revenue	\$ 24	\$ 266	\$ 182	\$ 496
Research and development	328	2,250	1,351	5,467
Sales and marketing	282	1,166	420	2,524
General and administrative	430	813	935	1,740
	\$ 1,064	\$ 4,495	\$ 2,888	\$ 10,227

See the accompanying notes to these condensed consolidated financial statements.

## NUMERICAL TECHNOLOGIES, INC.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

(unaudited)

	For the Six Months Ended June 30,	
	2002	2001
Cash flows from operating activities:		
Net loss	\$ (59,605)	\$ (30,910)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	1,037	931
Stock-based compensation	2,888	10,227
Amortization of acquired intangibles	3,225	23,630
Impairment of goodwill and other intangible assets	57,312	
Deferred tax	(1,757)	(1,830)
Changes in assets and liabilities:		
Accounts receivable	(247)	(2,422)
Prepaid and other	(1,423)	321
Other assets	(186)	(172)
Accounts payable	460	(299)
Accrued expenses and other liabilities	(319)	(181)
Deferred revenue	2,680	6,078
<b>Net cash provided by operating activities</b>	<b>4,065</b>	<b>5,373</b>
Cash flows from investing activities:		
Proceeds from sales of short-term investments	38,626	35,977
Purchase of short-term investments	(32,173)	(48,905)
Purchase of property and equipment	(1,262)	(861)
<b>Net cash provided by (used in) investing activities</b>	<b>5,191</b>	<b>(13,789)</b>
Cash flows from financing activities:		
Proceeds from exercise of common stock options	1,253	848
Proceeds from employee stock purchase plan	1,141	1,214
Repurchase of common stock		