

ASPEN TECHNOLOGY INC /DE/
Form 10-Q
April 28, 2016
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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 March 31, 2016

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: 001-34630

ASPEN TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

04-2739697
(I.R.S. Employer Identification No.)

20 Crosby Drive
Bedford, Massachusetts
(Address of principal executive offices)

01730
(Zip Code)

(781) 221-6400

(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 (§232.405 of this chapter) 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.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes No

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As of April 21, 2016, there were 81,867,428 shares of the registrant's common stock (par value \$0.10 per share) outstanding.

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aspenONE is one of our registered trademarks. All other trade names, trademarks and service marks appearing in this Form 10-Q are the property of their respective owners.

Our fiscal year ends on June 30, and references to a specific fiscal year are to the twelve months ended June 30 of such year (for example, fiscal 2016 refers to the year ending June 30, 2016).

Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.***Consolidated Financial Statements (unaudited)***ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
	(Dollars in Thousands, Except per Share Data)			
Revenue:				
Subscription and software	\$ 111,722	\$ 102,543	\$ 333,707	\$ 300,002
Services and other	7,495	8,756	24,957	26,213
Total revenue	119,217	111,299	358,664	326,215
Cost of revenue:				
Subscription and software	5,266	5,404	15,475	15,813
Services and other	6,754	6,905	21,405	21,142
Total cost of revenue	12,020	12,309	36,880	36,955
Gross profit	107,197	98,990	321,784	289,260
Operating expenses:				
Selling and marketing	23,090	23,160	66,704	67,599
Research and development	17,820	20,323	50,398	52,548
General and administrative	15,606	13,776	42,273	36,227
Total operating expenses, net	56,516	57,259	159,375	156,374
Income from operations	50,681	41,731	162,409	132,886
Interest income	90	122	243	389
Interest expense	(330)	(1)	(344)	(8)
Other income (expense), net	(2,686)	414	(1,947)	354
Income before provision for income taxes	47,755	42,266	160,361	133,621
Provision for income taxes	14,584	14,096	53,736	46,020
Net income	\$ 33,171	\$ 28,170	\$ 106,625	\$ 87,601
Net income per common share:				
Basic	\$ 0.40	\$ 0.32	\$ 1.28	\$ 0.98
Diluted	\$ 0.40	\$ 0.32	\$ 1.27	\$ 0.97
Weighted average shares outstanding:				
Basic	83,081	87,355	83,425	89,509
Diluted	83,373	87,853	83,842	90,121

See accompanying Notes to these unaudited consolidated financial statements.

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ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
	(Dollars in Thousands)			
Net income	\$ 33,171	\$ 28,170	\$ 106,625	\$ 87,601
Other comprehensive loss:				
Net unrealized gains (losses) on available for sale securities, net of tax effects of (\$7) and (\$11) for the three and nine months ended March 31, 2016, and (\$28) and \$14 for the three and nine months ended March 31, 2015	13	53	21	(25)
Foreign currency translation adjustments	(31)	(1,846)	(2,192)	(4,321)
Total other comprehensive loss	(18)	(1,793)	(2,171)	(4,346)
Comprehensive income	\$ 33,153	\$ 26,377	\$ 104,454	\$ 83,255

See accompanying Notes to these unaudited consolidated financial statements.

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ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2016	June 30, 2015
	(Dollars in Thousands, Except Share Data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 96,910	\$ 156,249
Short-term marketable securities	9,025	59,197
Accounts receivable, net	21,749	30,721
Prepaid expenses and other current assets	8,991	10,752
Acquisition bid related deposits	251,670	
Prepaid income taxes	525	542
Current deferred tax assets	6,117	6,169
Total current assets	394,987	263,630
Long-term marketable securities		3,047
Property, equipment and leasehold improvements, net	15,938	18,039
Computer software development costs, net	539	1,026
Goodwill	16,781	17,360
Non-current deferred tax assets	9,731	10,444
Other non-current assets	1,455	1,815
Total assets	\$ 439,431	\$ 315,361
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 3,877	\$ 5,240
Accrued expenses and other current liabilities	34,627	38,483
Income taxes payable	3,509	1,775
Borrowings under credit agreement	140,000	
Current deferred revenue	234,285	250,968
Total current liabilities	416,298	296,466
Non-current deferred revenue	30,537	37,919
Other non-current liabilities	28,051	29,522
Commitments and contingencies (Note 13)		
Series D redeemable convertible preferred stock, \$0.10 par value		
Authorized 3,636 shares as of March 31, 2016 and June 30, 2015		
Issued and outstanding none as of March 31, 2016 and June 30, 2015		
Stockholders' deficit:		
Common stock, \$0.10 par value Authorized 210,000,000 shares		
Issued 101,920,507 shares at March 31, 2016 and 101,607,520 shares at June 30, 2015		
Outstanding 82,030,943 shares at March 31, 2016 and 84,504,202 shares at June 30, 2015	10,192	10,161
Additional paid-in capital	655,555	641,883
Accumulated deficit	(39,002)	(145,627)
Accumulated other comprehensive income	4,299	6,470
Treasury stock, at cost 19,889,564 shares of common stock at March 31, 2016 and 17,103,318 shares at June 30, 2015	(666,499)	(561,433)
Total stockholders' deficit	(35,455)	(48,546)
Total liabilities and stockholders' deficit	\$ 439,431	\$ 315,361

See accompanying Notes to these unaudited consolidated financial statements.

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ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended March 31,	
	2016	2015
	(Dollars in Thousands)	
Cash flows from operating activities:		
Net income	\$ 106,625	\$ 87,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,519	4,616
Net foreign currency losses (gains)	1,421	(2,715)
Stock-based compensation	12,313	11,122
Deferred income taxes	695	21,317
Provision for (recovery from) bad debts	174	(471)
Tax benefits from stock-based compensation	1,878	21,843
Excess tax benefits from stock-based compensation	(1,878)	(21,843)
Other non-cash operating activities	257	1,401
Changes in assets and liabilities:		
Accounts receivable	8,513	10,897
Prepaid expenses, prepaid income taxes, and other assets	3,446	6,069
Accounts payable, accrued expenses, income taxes payable and other liabilities	(5,583)	(1,198)
Deferred revenue	(23,485)	(222)
Net cash provided by operating activities	108,895	138,417
Cash flows from investing activities:		
Purchases of marketable securities		(50,065)
Maturities of marketable securities	52,965	66,923
Purchases of property, equipment and leasehold improvements	(2,530)	(5,914)
Acquisition related deposits	(255,067)	
Payments for capitalized computer software costs		(315)
Net cash (used in) provided by investing activities	(204,632)	10,629
Cash flows from financing activities:		
Exercises of stock options	2,862	2,046
Repurchases of common stock	(103,128)	(222,878)
Payments of tax withholding obligations related to restricted stock	(3,404)	(3,874)
Excess tax benefits from stock-based compensation	1,878	21,843
Proceeds from credit agreement	140,000	
Payments of credit agreement issuance costs	(1,587)	
Net cash provided by (used in) financing activities	36,621	(202,863)