

SERENA SOFTWARE INC  
Form 10-Q  
September 14, 2012  
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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 July 31, 2012**

**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 NO. 000-25285**

**SERENA SOFTWARE, INC.**

(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)  
**1850 GATEWAY DRIVE, SAN MATEO, CALIFORNIA 94404-4060**

**94-2669809**  
(I.R.S. Employer  
Identification No.)  
**650-481-3400**

(Address of principal executive offices, including zip code)

(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

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 July 31, 2012, 98,446,007 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SERENA SOFTWARE, INC.****Condensed Consolidated Balance Sheets****(In thousands, except share data)****(Unaudited)**

	<b>July 31, 2012</b>	<b>January 31, 2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 102,160	\$ 109,688
Accounts receivable, net of allowance of \$973 and \$963 at July 31, 2012 and January 31, 2012, respectively	19,717	23,747
Deferred taxes, net	5,013	5,015
Prepaid expenses and other current assets	7,873	7,779
<b>Total current assets</b>	<b>134,763</b>	<b>146,229</b>
Property and equipment, net	4,741	4,879
Goodwill	462,400	462,400
Other intangible assets, net	58,910	77,264
Other assets	9,268	3,600
<b>TOTAL ASSETS</b>	<b>\$ 670,082</b>	<b>\$ 694,372</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,051	\$ 1,515
Income taxes payable	1,257	683
Accrued expenses	16,027	18,916
Accrued interest on term loan and subordinated notes	5,823	7,030
Deferred revenue	66,290	68,861
<b>Total current liabilities</b>	<b>91,448</b>	<b>97,005</b>
Deferred revenue, less current portion	8,508	9,443
Long-term liabilities	5,379	5,423
Deferred taxes	13,711	20,835
Term loans	308,500	308,500
Senior subordinated notes	126,542	134,265
<b>Total liabilities</b>	<b>554,088</b>	<b>575,471</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized and no shares issued and outstanding at July 31, 2012 and January 31, 2012		
Series A Preferred stock, \$0.01 par value; 1 share authorized, issued and outstanding at July 31, 2012 and January 31, 2012		

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Common stock, \$0.01 par value; 200,000,000 shares authorized; 98,446,007 and 98,392,478 shares issued and outstanding at July 31, 2012 and January 31, 2012, respectively	984	984
Additional paid-in capital	517,483	516,578
Accumulated other comprehensive loss	(1,958)	(1,573)
Accumulated deficit	(400,515)	(397,088)
Total stockholders' equity	115,994	118,901
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 670,082	\$ 694,372

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****SERENA SOFTWARE, INC.****Condensed Consolidated Statements of Comprehensive Loss****For the Three and Six Months Ended July 31, 2012 and 2011****(In thousands)****(Unaudited)**

	Three Months Ended July 31,		Six Months Ended July 31,	
	2012	2011	2012	2011
<b>Revenue:</b>				
Software licenses	\$ 11,590	\$ 14,860	\$ 19,519	\$ 23,710
Maintenance	34,575	36,361	68,937	71,016
Professional services	6,283	5,938	11,911	11,625
<b>Total revenue</b>	<b>52,448</b>	<b>57,159</b>	<b>100,367</b>	<b>106,351</b>
<b>Cost of revenue:</b>				
Software licenses	425	462	972	797
Maintenance	2,783	2,888	5,657	5,713
Professional services	5,785	5,808	11,319	11,162
Amortization of acquired technology		43		3,651
<b>Total cost of revenue</b>	<b>8,993</b>	<b>9,201</b>	<b>17,948</b>	<b>21,323</b>
<b>Gross profit</b>	<b>43,455</b>	<b>47,958</b>	<b>82,419</b>	<b>85,028</b>
<b>Operating expenses:</b>				
Sales and marketing	14,315	15,762	29,148	30,200
Research and development	6,735	6,841	13,710	13,539
General and administrative	4,352	3,640	8,267	7,167
Amortization of intangible assets	9,076	9,198	18,259	18,401
Restructuring, acquisition and other charges	1,617	1,057	2,009	1,669
<b>Total operating expenses</b>	<b>36,095</b>	<b>36,498</b>	<b>71,393</b>	<b>70,976</b>
<b>Operating income</b>	<b>7,360</b>	<b>11,460</b>	<b>11,026</b>	<b>14,052</b>
<b>Other income (expense):</b>				
Interest income	46	29	98	71
Loss on early extinguishment of debt	(154)		(154)	
Interest expense	(6,965)	(6,518)	(13,584)	(12,717)
Amortization and write off of debt issuance costs	(533)	(315)	(1,082)	(675)
Amend and extend transaction fees			(577)	(1,487)
<b>Total other income (expense)</b>	<b>(7,606)</b>	<b>(6,804)</b>	<b>(15,299)</b>	<b>(14,808)</b>
<b>(Loss) income before income taxes</b>	<b>(246)</b>	<b>4,656</b>	<b>(4,273)</b>	<b>(756)</b>
<b>Income tax expense (benefit)</b>	<b>68</b>	<b>57</b>	<b>(846)</b>	<b>(461)</b>

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Net (loss) income	(314)	4,599	(3,427)	(295)
Other comprehensive (loss) income- foreign currency translation adjustments	(142)	198	(385)	(28)
Comprehensive (loss) income	\$ (456)	\$ 4,797	\$ (3,812)	\$ (323)

See accompanying notes to condensed consolidated financial statements.

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**SERENA SOFTWARE, INC.**

**Condensed Consolidated Statements of Cash Flows**

**For the Six Months Ended July 31, 2012 and 2011**

**(In thousands)**

**(Unaudited)**

	<b>Six Months Ended July 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (3,427)	\$ (295)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of acquired technology and other intangible assets	19,565	23,489
Deferred income taxes		