

INKTOMI CORP
Form DEFA14A
January 17, 2003

**SECURITEIS AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**SCHEDULE 14A
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

Filed by the Registrant X

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Check the appropriate box:

- O Preliminary Proxy Statement
- O Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- O Definitive Proxy Statement
- O Definitive Additional Materials
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INKTOMI CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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(2) Form Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

FOR IMMEDIATE RELEASE

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Inktomi Reports First Quarter Fiscal 2003 Results

FOSTER CITY, Calif., January 16, 2003 Inktomi Corp. (NASDAQ:INKT) today reported financial results for the first quarter of fiscal year 2003 ended December 31, 2002. Revenues for the fiscal quarter were \$13.9 million, excluding revenues from Inktomi's enterprise search business, which was sold to Verity in the quarter. Pro-forma net loss was \$1.4 million or a loss of \$0.01 per share.

Pro-forma amounts exclude non-recurring items including real estate and asset impairment charges, losses on asset sales, restructuring charges, enterprise search discontinued operations, rental sublease income on our Bayside corporate headquarters, and a recovery from a prior period write-off. The GAAP net loss from continuing operations for the first fiscal quarter was \$24.4 million, or a loss of \$0.15 per share. The GAAP net loss including discontinued operations was \$17.0 million, or a loss of \$0.10 per share.

In the first fiscal quarter, revenue was primarily comprised of \$10.0 million from Inktomi's Web search business. The company also reported \$3.9 million of revenue from the content networking business.

In the first fiscal quarter, Inktomi completed the sale of its enterprise search business to Verity for \$25.0 million, of which \$22.0 million in cash was paid to Inktomi in December and \$3.0 million is expected to be paid in June 2004, potentially offset by any indemnification claims that may arise during the interim period. The profit resulting from discontinued operations of the enterprise search business in the quarter was \$7.5 million, reflecting revenues of \$3.6 million, costs and expenses of \$8.5 million, and a gain of \$12.4 million on the sale of the business to Verity.

In the quarter, Inktomi completed the sale of its Bayside corporate headquarters for \$41.5 million. In addition, the company reduced its total outstanding notes payable and capitalized leases by \$28.0 during the quarter to \$3.4 million outstanding at December 31, 2002. Inktomi ended the quarter with total cash, cash equivalents and short-term investments of \$59.1 million.

On December 23, 2002 Inktomi and Yahoo! entered into a definitive agreement under which Yahoo! will acquire Inktomi for a purchase price of \$1.65 per share in cash.

About Inktomi

Based in Foster City, Calif., Inktomi is the leading provider of OEM Web search and paid inclusion services. A pioneer in Web search technology, Inktomi provides millions of users worldwide with the freshest and most relevant search experience, and ensures that thousands of online retailers have their content constantly represented. The company's customers and partners include Amazon.com, eBay, Lycos/HotBot, MSN, Overture and WalMart.com.

*This press release contains forward-looking statements regarding Inktomi's future financial and operating results and Yahoo!'s proposed acquisition of Inktomi. These statements are based on current expectations and are subject to a number of risks and uncertainties. Actual results could differ materially from those projected in any forward-looking statements. Factors that could affect our financial and operating results include our need to improve our sales and distribution capabilities, internally and through alliances; substantial competition; risks related to the consolidation of operations and reductions in force; dependency on a small number of portal customers in the Web search business; the rapidly changing business environment; changing buying patterns of our customers and potential customers; need to develop, acquire and release new products and technologies; and risks associated with acquisitions, dispositions, strategic alliances, international operations and product release dates. The potential risks and uncertainties relating to the proposed merger include, among others, the possibility that the transaction will not close or that the closing may be delayed and the reaction of customers of Inktomi to the transaction. For more information and additional risk factors regarding Inktomi generally see *Factors Affecting Operating Results* contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on December 30, 2002 and in other reports filed by Inktomi with the SEC. Inktomi expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any statements to reflect any change in Inktomi's expectations or any change of events, conditions or circumstances on which any such statements are based.*

Inktomi filed a preliminary proxy statement and other documents regarding the proposed merger described in this press release with the SEC on January 10, 2003. INKTOMI STOCKHOLDERS ARE URGED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. A definitive proxy statement will be sent to stockholders of Inktomi seeking their approval of the transaction. Investors and security holders may obtain a copy of the proxy statement (when it is available) and any other relevant documents filed by Inktomi with the SEC for free at the SEC's web site at www.sec.gov. Copies of the definitive proxy statement and other documents filed by Inktomi with the SEC may also be obtained free of cost by directing a request to: Joe Eandi, Vice President and General Counsel, Inktomi Corporation, 4100 E. Third Avenue, Foster City, CA 94404; (650) 653-2800.

Inktomi and its directors and executive officers may be deemed to be participants in the solicitation of proxies of Inktomi stockholders in connection with the proposed merger. Such individuals may have interests in the merger, including as a result of holding options or shares of Inktomi common stock. A detailed list of the names, affiliations and interests of the participants in the solicitation is set forth in the preliminary proxy statement that was filed with the SEC on January 10, 2003 and will be set forth in the definitive proxy statement when it becomes available.

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Inktomi Corporation
Unaudited Pro Forma Condensed Consolidated Statements of Operations
(In thousands, except per share data)

| | For the Three Months Ended December 31, | |
|---|--|-------------|
| | 2002 | 2001 |
| Revenues | | |
| Web search services | \$ 9,975 | \$ 10,628 |
| Licenses | 1,810 | 17,440 |
| Maintenance services | 1,720 | 2,481 |
| Other Services | 350 | 2,544 |
| | <hr/> | <hr/> |
| Total revenues | 13,855 | 33,093 |
| Cost of Revenues | | |
| Web search services | 2,881 | 4,277 |
| Licenses | 585 | 329 |
| Maintenance services | 477 | 1,118 |
| Other Services | 368 | 1,880 |
| | <hr/> | <hr/> |
| Total cost of revenues | 4,311 | 7,604 |
| Gross Profit | 9,544 | 25,489 |
| Operating expenses | | |
| Sales and marketing | 2,943 | 17,988 |
| Research and development | 5,087 | 12,925 |
| General and administrative | 3,126 | 7,110 |
| Amortization of goodwill and other intangibles | | 16,709 |
| | <hr/> | <hr/> |
| Total operating expenses | 11,156 | 54,732 |
| | <hr/> | <hr/> |
| Operating loss | (1,612) | (29,243) |
| Other income, net | 220 | 609 |
| | <hr/> | <hr/> |
| Pretax loss | (1,392) | (28,634) |
| Income tax provision | (27) | (199) |
| | <hr/> | <hr/> |
| Net loss | \$ (1,419) | \$ (28,833) |
| | <hr/> | <hr/> |
| Earnings per share | | |
| Basic and diluted net loss per share | \$ (0.01) | \$ (0.21) |
| | <hr/> | <hr/> |
| Weighted average shares outstanding | | |
| Shares used in calculating basic and diluted net loss per share | 162,284 | 136,660 |
| | <hr/> | <hr/> |

Pro forma amounts exclude non recurring items such as restructuring costs, impairment of goodwill and other intangibles, real estate impairment charges, gain from discontinued operations, impairment of fixed assets and loss on asset sale, and Bayside headquarters rental sub-lease income. In prior period press releases, non cash items were also excluded. Prior period pro forma amounts have been restated to conform to current period presentation.

For the quarter ended December 31, 2002, the following amounts were excluded from pro forma results:

-
- (a) \$18,854 of restructuring costs
 - (b) \$5,358 of fixed asset impairment and loss on asset sale
 - (c) \$7,487 was excluded for gain from discontinued operations
 - (d) \$507 was excluded from other income relating to previous one-time charges
 - (e) \$685 Bayside headquarters rental sub-lease income

For the quarter ended December 31, 2001, the following amounts were excluded from pro forma results:

-
- (a) \$4,012 of restructuring costs
 - (b) \$1,750 of impairment of goodwill and other intangibles
 - (c) \$2,754 was excluded from other income relating to previous one-time charges
 - (d) \$1,931 Bayside headquarters rental sub-lease income
 - (e) \$469 was excluded for gain from discontinued operations
-

Inktomi Corporation
Unaudited Condensed Consolidated Statements of Operations
(In thousands, except per share data)

| | For the Three Months Ended December 31, | |
|---|--|-------------|
| | 2002 | 2001 |
| Revenues | | |
| Web search services | \$ 9,975 | \$ 10,628 |
| Licenses | 1,810 | 17,440 |
| Maintenance services | 1,720 | 2,481 |
| Other Services | 350 | 2,544 |
| | <hr/> | <hr/> |
| Total revenues | 13,855 | 33,093 |
| Cost of Revenues | | |
| Web search services | 2,881 | 4,277 |
| Licenses | 585 | 329 |
| Maintenance services | 477 | 1,118 |
| Other Services | 368 | 1,880 |
| | <hr/> | <hr/> |
| Total cost of revenues | 4,311 | 7,604 |
| Gross Profit | 9,544 | 25,489 |
| Operating expenses | | |
| Sales and marketing | 2,943 | 17,988 |
| Research and development | 5,087 | 12,925 |
| General and administrative | 3,127 | 5,179 |
| Amortization of goodwill and other intangibles | | 16,709 |
| Restructuring | 18,854 | 2,712 |
| Impairment of fixed assets and loss on asset sale | 5,358 | 1,300 |
| Impairment of goodwill and other intangibles | | 1,750 |
| | <hr/> | <hr/> |
| Total operating expenses | 35,369 | 58,563 |
| Other income, net | 1,413 | 3,363 |
| | <hr/> | <hr/> |
| Total Expense and Other Income | 33,956 | 55,200 |
| Income from continuing operations before income taxes | (24,412) | (29,711) |
| Income tax provision | (27) | (199) |
| | <hr/> | <hr/> |
| Income from continuing operations | (24,439) | (29,910) |
| Discontinued Operations | | |
| Income from discontinued operations | 7,487 | 469 |
| | <hr/> | <hr/> |
| Net income | \$ (16,952) | \$ (29,441) |
| | <hr/> | <hr/> |
| Earnings per share | | |
| Basic and diluted net loss per share | | |
| Continued operations | \$ (0.15) | \$ (0.22) |
| Discontinued operations | 0.05 | 0.00 |
| | <hr/> | <hr/> |
| Net loss per share | \$ (0.10) | \$ (0.22) |
| | <hr/> | <hr/> |

Weighted average shares outstanding

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| | | |
|---|---------|---------|
| Shares used in calculating basic and diluted net loss per share | 162,284 | 136,660 |
|---|---------|---------|

Inktomi Corporation
Unaudited Condensed Consolidated Balance Sheets
(In thousands, except per share data)

| | December 31, 2002 | September 30, 2002 |
|---|------------------------------|-------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 29,361 | \$ 17,292 |
| Short-term investments | 29,699 | 28,115 |
| | <u> </u> | <u> </u> |
| Total cash, cash equivalents and short-term investments | 59,060 | 45,407 |
| Accounts receivable, net | 3,301 | 10,864 |
| Prepaid expenses and other current assets | 3,715 | 5,533 |
| | <u> </u> | <u> </u> |
| Total current assets | 66,076 | 61,804 |
| Investments in equity securities | 551 | 331 |
| Property and equipment, net | 15,642 | 62,536 |
| Goodwill and other intangibles, net | | 10,028 |
| Other assets | 3,643 | 4,708 |
| Loans to related parties | 5,895 | 5,809 |
| | <u> </u> | <u> </u> |
| Total assets | \$ 91,807 | \$ 145,216 |
| | <u> </u> | <u> </u> |
| Liabilities and Stockholders Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 2,423 | \$ 10,021 |
| Accrued liabilities | 29,025 | 30,180 |
| Deferred revenue | 15,160 | 26,767 |
| Current portion of notes payable | 2,373 | 30,003 |
| Current portion of capital lease obligations | 1,014 | 1,210 |
| | <u> </u> | <u> </u> |
| Total current liabilities | 49,995 | 98,181 |
| Capital lease obligations, less current portion | | 216 |
| Other liabilities | 10,927 | 185 |
| | <u> </u> | <u> </u> |
| Total liabilities | 60,922 | 98,582 |
| Stockholders equity | | |
| Common Stock, \$0.001 par value; 1,500,000 authorized at December 31, 2002 and September 30, 2002 respectively; 162,891 and 162,109 outstanding at December 31, 2002 and September 30, 2002, respectively | 163 | 162 |
| Additional paid-in capital | 951,814 | 952,602 |
| Deferred compensation | (460) | (2,039) |
| Accumulated other comprehensive loss | (865) | (1,276) |
| Accumulated deficit | (919,767) | (902,815) |
| | <u> </u> | <u> </u> |
| Total stockholders equity | 30,885 | 46,634 |
| | <u> </u> | <u> </u> |
| Total liabilities and stockholders equity | \$ 91,807 | \$ 145,216 |
| | <u> </u> | <u> </u> |

