

BOTTOMLINE TECHNOLOGIES INC /DE/  
Form 10-Q  
November 08, 2011  
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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 September 30, 2011

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: 0-25259

**Bottomline Technologies (de), Inc.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>02-0433294</b> (I.R.S. Employer Identification No.)
<b>325 Corporate Drive</b>  <b>Portsmouth, New Hampshire</b> (Address of principal executive offices)	<b>03801-6808</b> (Zip Code)
<b>(603) 436-0700</b>  (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 website, 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 (Check one):

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

The number of shares outstanding of the registrant's common stock as of October 31, 2011 was 36,024,277.

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Bottomline Technologies (de), Inc.****Unaudited Condensed Consolidated Balance Sheets**

(in thousands)

	September 30, 2011	June 30, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 124,808	\$ 111,953
Marketable securities	59	64
Accounts receivable, net of allowance for doubtful accounts of \$452 at September 30, 2011 and \$429 at June 30, 2011	38,722	41,535
Other current assets	18,942	15,308
<b>Total current assets</b>	<b>182,531</b>	<b>168,860</b>
Property, plant and equipment, net	17,050	16,098
Goodwill	96,083	98,524
Intangible assets, net	70,235	74,549
Other assets	3,407	5,303
<b>Total assets</b>	<b>\$ 369,306</b>	<b>\$ 363,334</b>
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 7,965	\$ 8,971
Accrued expenses	15,364	18,706
Deferred revenue	38,879	40,510
<b>Total current liabilities</b>	<b>62,208</b>	<b>68,187</b>
Deferred revenue, non-current	4,003	5,438
Deferred income taxes	1,761	2,208
Other liabilities	1,766	1,827
<b>Total liabilities</b>	<b>69,738</b>	<b>77,660</b>
Stockholders equity:		
Preferred Stock, \$.001 par value:		
Authorized shares 4,000; issued and outstanding shares none		
Common Stock, \$.001 par value:		
Authorized shares 50,000; issued shares 35,884 at September 30, 2011, and 34,625 at June 30, 2011;		
outstanding shares 34,044 at September 30, 2011, and 32,744 at June 30, 2011		
Additional paid-in capital	36	35
Additional paid-in capital	422,173	408,375
Accumulated other comprehensive loss	(6,628)	(4,524)
Treasury stock: 1,840 shares at September 30, 2011, and 1,881 shares at June 30, 2011, at cost	(20,321)	(20,779)
Accumulated deficit	(95,692)	(97,433)
<b>Total stockholders equity</b>	<b>299,568</b>	<b>285,674</b>

Total liabilities and stockholders' equity	\$ 369,306	\$ 363,334
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See accompanying notes.

**Table of Contents****Bottomline Technologies (de), Inc.****Unaudited Condensed Consolidated Statements of Operations****(in thousands, except per share amounts)**

	<b>Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>		
Software licenses	\$ 4,033	\$ 3,461
Subscriptions and transactions	17,594	11,534
Service and maintenance	28,849	25,052
Equipment and supplies	2,000	1,991
<b>Total revenues</b>	<b>52,476</b>	<b>42,038</b>
<b>Cost of revenues:</b>		
Software licenses	435	215
Subscriptions and transactions	9,085	6,372
Service and maintenance	12,160	10,429
Equipment and supplies	1,571	1,520
<b>Total cost of revenues</b>	<b>23,251</b>	<b>18,536</b>
<b>Gross profit</b>	<b>29,225</b>	<b>23,502</b>
<b>Operating expenses:</b>		
Sales and marketing	11,242	8,553
Product development and engineering	5,932	5,012
General and administrative	4,933	4,735
Amortization of intangible assets	3,884	2,882
<b>Total operating expenses</b>	<b>25,991</b>	<b>21,182</b>
<b>Income from operations</b>	<b>3,234</b>	<b>2,320</b>
<b>Other income (expense), net</b>	<b>(113)</b>	<b>282</b>
<b>Income before income taxes</b>	<b>3,121</b>	<b>2,602</b>
<b>Income tax provision (benefit)</b>	<b>1,380</b>	<b>(73)</b>
<b>Net income</b>	<b>\$ 1,741</b>	<b>\$ 2,675</b>
<b>Basic net income per share attributable to common stockholders:</b>	<b>\$ 0.05</b>	<b>\$ 0.09</b>
<b>Diluted net income per share attributable to common stockholders:</b>	<b>\$ 0.05</b>	<b>\$ 0.08</b>
<b>Shares used in computing basic net income per share attributable to common stockholders:</b>	<b>33,710</b>	<b>30,754</b>
<b>Shares used in computing diluted net income per share attributable to common stockholders:</b>	<b>34,841</b>	<b>31,984</b>

See accompanying notes.



**Table of Contents****Bottomline Technologies (de), Inc.****Unaudited Condensed Consolidated Statements of Cash Flows**

(in thousands)

	<b>Three Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating activities:</b>		
Net income	\$ 1,741	\$ 2,675
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Amortization of intangible assets	3,884	2,882
Stock compensation expense	3,165	2,570
Depreciation and amortization of property, plant and equipment	1,374	1,248
Deferred income tax benefit	(269)	(815)
Provision for allowances on accounts receivable	50	
Provision for allowances for obsolescence of inventory		1
Excess tax benefits associated with stock compensation	(1,131)	(31)
Loss on disposal of equipment		23
Loss (gain) on foreign exchange	123	(35)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	2,233	(190)
Inventory	6	(68)
Prepaid expenses and other current assets	174	(30)
Other assets	154	861
Accounts payable	(876)	(265)
Accrued expenses	(2,717)	525
Deferred revenue	(2,513)	(3,016)
Other liabilities	(10)	11
<b>Net cash provided by operating activities</b>	<b>5,388</b>	<b>6,346</b>
<b>Investing activities:</b>		
Purchases of held-to-maturity securities	(63)	(54)
Proceeds from sales of held-to-maturity securities	63	54
Purchases of property and equipment, net	(2,462)	(723)
<b>Net cash used in investing activities</b>	<b>(2,462)</b>	<b>(723)</b>
<b>Financing activities:</b>		
Proceeds from sale of common stock, net		4,865
Proceeds from exercise of warrants, net	8,452	
Proceeds from exercise of stock options and employee stock purchase plan	1,509	1,036
Excess tax benefits associated with stock compensation	1,131	31
Capital lease payments	(46)	(28)
Payment of bank financing fees		(3)
<b>Net cash provided by financing activities</b>	<b>11,046</b>	<b>5,901</b>
Effect of exchange rate changes on cash	(1,117)	2,032
<b>Increase in cash and cash equivalents</b>	<b>12,855</b>	<b>13,556</b>
Cash and cash equivalents at beginning of period	111,953	122,758
<b>Cash and cash equivalents at end of period</b>	<b>\$ 124,808</b>	<b>\$ 136,314</b>



See accompanying notes.

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**Bottomline Technologies (de), Inc.**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**September 30, 2011**

**Note 1 Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation of the interim financial information have been included. Operating results for the three months ended September 30, 2011 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending June 30, 2012. For further information, refer to the financial statements and footnotes included in the Annual Report on Form 10-K for Bottomline Technologies (de), Inc. (the Company) as filed with the Securities and Exchange Commission (SEC) on September 9, 2011.

**Note 2 Recent Accounting Pronouncements**

In June 2011, the Financial Accounting Standards Board issued an accounting standards update regarding the presentation of comprehensive income in financial statements. The provisions of this standard provide an option to present the components of net income and other comprehensive income either as one continuous statement of comprehensive income or as two separate but consecutive statements. We will be required to incorporate the provisions of this new standard effective with our first quarter filing for fiscal year 2013 and we have not yet determined which presentation methodology we will adopt.

**Note 3 Fair Value**

*Fair Value of Assets and Liabilities*

We measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the assumptions that market participants would use in pricing an asset or liability (the inputs) are based on a tiered fair value hierarchy consisting of three levels, as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar instruments in active markets or for similar markets that are not active.

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the asset or liability.

Valuation techniques for assets and liabilities include methodologies such as the market approach, the income approach or the cost approach, and may use unobservable inputs such as projections, estimates and management's interpretation of current market data. These unobservable inputs are only utilized to the extent that observable inputs are not available o