

SABA SOFTWARE INC
Form 10-Q
January 09, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2007

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

000-30221

(Commission File number)

SABA SOFTWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2400 Bridge Parkway

94-3267638
(I.R.S. Employer

Identification No.)

94065-1166

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Redwood Shores, California
(Address of principal executive offices)

(Zip Code)

(650) 581-2500

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-Accelerated filer

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

On December 31, 2007, 29,041,418 shares of the registrant's Common Stock, \$.001 par value, were outstanding.

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QUARTER ENDED NOVEMBER 30, 2007

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	November 30, 2007 (Unaudited)	May 31, 2007 *
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,371	\$ 18,088
Restricted cash	500	500
Accounts receivable, net	24,142	20,905
Prepaid expenses and other current assets	2,490	2,767
Total current assets	39,503	42,260
Property and equipment, net	4,524	3,669
Goodwill	38,293	38,293
Purchased intangible assets, net	14,396	16,414
Other assets	1,368	977
Total assets	\$ 98,084	\$ 101,613
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 6,053	\$ 4,772
Accrued compensation and related expenses	5,582	5,746
Accrued expenses	4,567	5,949
Deferred revenue	26,337	27,886
Current portion of debt and lease obligations	1,491	2,664
Total current liabilities	44,030	47,017
Deferred revenue	2,363	1,598
Other long term liabilities	1,293	
Accrued rent	2,673	2,769
Debt and lease obligations, less current portion	470	2,328
Total liabilities	50,829	53,712
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, issuable in series: \$0.001 par value:		
5,000,000 authorized shares at November 30, 2007 and May 31, 2007; none issued or outstanding		
Common stock, \$0.001 par value:	29	29

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50,000,000 authorized; 29,021,810 shares issued and outstanding at November 30, 2007 and 28,908,612 shares issued and outstanding at May 31, 2007		
Additional paid-in capital	254,121	251,408
Treasury stock: 102,997 shares at November 30, 2007 and May 31, 2007, at cost	(232)	(232)
Accumulated deficit	(206,722)	(203,333)
Accumulated other comprehensive income	59	29
 Total stockholders' equity	 47,255	 47,901
 Total liabilities and stockholders' equity	 \$ 98,084	 \$ 101,613

* Derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year ended May 31, 2007 filed with the United States Securities and Exchange Commission

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(Unaudited)**

	Three months ended		Six months ended	
	November 30,	November 30,	November 30,	November 30,
	2007	2006	2007	2006
Revenues:				
License	\$ 5,704	\$ 6,916	\$ 10,434	\$ 13,104
License updates and product support	8,950	7,699	17,767	14,706
OnDemand	4,503	3,784	8,930	7,333
Professional services	7,575	7,798	15,053	14,213
Total revenues	26,732	26,197	52,184	49,356
Cost of revenues:				
Cost of license	225	562	421	777
Cost of license updates and product support	2,154	2,125	4,375	4,114
Cost of OnDemand	1,587	1,090	3,218	2,232
Cost of professional services	5,164	5,074	10,578	10,048
Amortization of acquired developed technology	295	295	589	589
Total cost of revenues	9,425	9,146	19,181	17,760
Gross profit	17,307	17,051	33,003	31,596
Operating expenses:				
Research and development	4,015	4,517	8,222	8,749
Sales and marketing	10,436	9,510	19,703	18,554
General and administrative	3,284	3,144	7,090	6,136
Amortization of purchased intangible assets	634	634	1,269	1,269
Total operating expenses	18,369	17,805	36,284	34,708
Loss from operations	(1,062)	(754)	(3,281)	(3,112)
Interest income and other, net	207	(15)	259	51
Interest expense	(47)	(102)	(118)	(237)
Loss before provision for income taxes	(902)	(871)	(3,140)	(3,298)
Provision for income taxes	132	135	250	300
Net loss	\$ (1,034)	\$ (1,006)	\$ (3,390)	\$ (3,598)
Basic and diluted net loss per share	\$ (0.04)	\$ (0.04)	\$ (0.12)	\$ (0.13)
Shares used in computing basic and diluted net loss per share	29,003	28,517	28,931	28,363

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(Unaudited)**

	Six months ended	
	November 30,	
	November 30,	2006
	2007	
Operating activities:		
Net loss	\$ (3,390)	\$ (3,598)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	851	716
Amortization of purchased intangible assets	2,018	2,018
Stock-based compensation expense	1,924	1,007
Loss on disposal of property and equipment	1	16
Changes in operating assets and liabilities:		
Accounts receivable	(2,760)	(4,028)
Prepaid expenses and other current assets	317	764
Other assets	(371)	91
Accounts payable	1,226	(2,880)
Accrued compensation and related expenses	(554)	(19)
Accrued expenses	10	(1,077)
Accrued rent	(95)	(42)
Deferred revenue	(915)	3,465
Net cash used in operating activities	(1,738)	(3,567)
Investing activities:		
Purchases of property and equipment	(1,655)	(1,065)
Net cash used in investing activities	(1,655)	(1,065)
Financing activities:		
Proceeds from issuance of common stock under employee stock plans	789	577
Borrowings, under credit facility		4,794
Repayments on borrowings under credit facility	(2,982)	(5,083)
Repayments on note payable	(49)	(90)
Net cash (used in) provided by financing activities	(2,242)	198
Effect of exchange rate changes on cash	(82)	154
Decrease in cash and cash equivalents	(5,717)	(4,280)
Cash and cash equivalents, beginning of period	18,088	23,029
Cash and cash equivalents, end of period	\$ 12,371	\$ 18,749

See Accompanying Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS