

INTELLISYNC CORP
Form 10-Q
June 14, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 30, 2004

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 0-21709

INTELLISYNC CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of)

77-0349154
(I.R.S. Employer)

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incorporation or organization)

Identification Number)

2550 North First Street, San Jose, California 95131

(Address of principal executive office and zip code)

(408) 321-7650

(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 x No "

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No "

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of June 7, 2004: 65,417,066

INTELLISYNC CORPORATION

10-Q REPORT

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INTELLISYNC CORPORATION

PART I - FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

(Unaudited)

	April 30, 2004	July 31, 2003
	<u>2004</u>	<u>2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,724	\$ 7,842
Short-term investments	39,051	19,317
Accounts receivable, net of allowance for doubtful accounts of \$533 and \$340	9,284	5,469
Inventories	200	113
Other current assets	1,822	882
	<u>66,081</u>	<u>33,623</u>
Total current assets	66,081	33,623
Property and equipment, net	1,505	1,153
Goodwill	65,236	2,731
Other intangible assets, net	31,480	2,734
Restricted cash	4,061	296
Other assets	3,350	630
	<u>171,713</u>	<u>41,167</u>
Total assets	\$ 171,713	\$ 41,167
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,875	\$ 2,619
Accrued liabilities	7,736	3,816
Current portion of obligations under capital lease	55	
Deferred revenue	5,211	2,015
	<u>14,877</u>	<u>8,450</u>
Total current liabilities	14,877	8,450
Obligations under capital lease	158	
Convertible senior notes	58,154	
Other liabilities	2,329	921
	<u>75,518</u>	<u>9,371</u>
Total liabilities	75,518	9,371
Commitments and contingencies (Note 9)		

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Stockholders' equity:

Preferred stock, \$0.001 par value; 2,000 shares authorized; none issued and outstanding at April 30, 2004 and July 31, 2003

Common stock, \$0.001 par value; 160,000 and 80,000 shares authorized; 65,332 and 47,753 shares issued and outstanding at April 30, 2004 and July 31, 2003

	65	48
Additional paid-in capital	225,552	153,986
Receivable from stockholders		(112)
Deferred stock compensation		(459)
Accumulated deficit	(129,358)	(121,661)
Accumulated other comprehensive loss	(64)	(6)
	<hr/>	<hr/>
Total stockholders' equity	96,195	31,796
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 171,713	\$ 41,167
	<hr/>	<hr/>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

INTELLISYNC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	2004	2003	2004	2003
Revenue				
License	\$ 7,512	\$ 4,828	\$ 20,336	\$ 13,842
Services	3,495	1,897	8,690	3,714
Total revenue	11,007	6,725	29,026	17,556
Cost and operating expenses:				
Cost of revenue (includes non-cash stock compensation of \$(94), \$56, \$8 and \$56)	2,237	1,156	5,667	2,802
Amortization of developed technology	990	161	1,543	456
Research and development (includes non-cash stock compensation of \$(30), \$38, \$37 and \$89)	3,495	1,942	8,098	5,432
Sales and marketing (includes non-cash stock compensation of \$(206), \$80, \$11 and \$80)	4,612	2,996	11,463	8,334
General and administrative (includes non-cash stock compensation of \$(205), \$666, \$673 and \$845)	1,582	1,587	5,894	3,986
Amortization of other intangibles	679	19	1,003	19
In-process research and development	775	406	3,667	406
Severance, facilities exit costs and other charges	253		929	
Total cost and operating expenses	14,623	8,267	38,264	21,435
Operating loss	(3,616)	(1,542)	(9,238)	(3,879)
Other income (expense):				
Interest income	171	168	410	645
Interest expense	(99)		(99)	(8)
Other, net	(99)		(86)	(73)
Litigation settlement gain, net	1,576		1,576	
Other-than-temporary impairment of investments		(2,394)		(2,394)
Total other income (expense)	1,549	(2,226)	1,801	(1,830)
Loss before income taxes	(2,067)	(3,768)	(7,437)	(5,709)
Provision for income taxes	(117)	(45)	(260)	(227)
Net loss	\$ (2,184)	\$ (3,813)	\$ (7,697)	\$ (5,936)
Basic and diluted net loss per common share	\$ (0.03)	\$ (0.08)	\$ (0.14)	\$ (0.13)
Shares used in computing basic and diluted net loss per common share	63,859	46,106	55,575	45,747

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

INTELLISYNC CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	April 30,	
	2004	2003
Cash flows from operating activities:		
Net loss	\$ (7,697)	\$ (5,936)
Adjustments to reconcile net loss to net cash used in operating activities:		
In-process research and development	3,667	406
Other-than-temporary impairment of investments		2,394
Allowance for (recovery of) doubtful accounts	193	(318)
Inventory reserves	72	(21)
Depreciation and amortization	3,299	1,536
Amortization of debt issuance costs	92	
Non-cash stock compensation	729	1,070
Realized gain on sale of investments		(10)
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	(1,628)	(530)
Inventories	(159)	4
Other current assets	(709)	223
Other assets	(276)	44
Accounts payable	(1,940)	428
Accrued liabilities	(3,430)	(2,100)
Deferred revenue	49	(566)
Net cash used in operating activities	(7,738)	(3,376)
Cash flows from investing activities:		
Purchase of property and equipment	(441)	(256)
Purchase of short term investments	(30,565)	(8,760)
Proceeds from the sales of short-term investments	5,100	