

Nuance Communications, Inc.
Form 10-Q
August 07, 2015
Table of Contents

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 June 30, 2015

Or

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

Commission file number 001-36056

NUANCE COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other jurisdiction of
incorporation or organization) 94-3156479
(I.R.S. Employer
Identification No.)

1 Wayside Road
Burlington, Massachusetts 01803
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(781) 565-5000

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. (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 of the Registrant's Common Stock, outstanding as of July 31, 2015 was 309,792,980.

NUANCE COMMUNICATIONS, INC.
TABLE OF CONTENTS

	Page
<u>PART I: FINANCIAL INFORMATION</u>	
Item 1. Condensed Consolidated Financial Statements (unaudited):	
a) Consolidated Statements of Operations for the three and nine months ended June 30, 2015 and 2014	1
b) Consolidated Statements of Comprehensive Loss for the three and nine months ended June 30, 2015 and 2014	2
c) Consolidated Balance Sheets at June 30, 2015 and September 30, 2014	3
d) Consolidated Statements of Cash Flows for the nine months ended June 30, 2015 and 2014	4
e) <u>Notes to Condensed Consolidated Financial Statements</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	38
Item 4. <u>Controls and Procedures</u>	40
<u>PART II: OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	40
Item 1A. <u>Risk Factors</u>	40
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	49
Item 3. <u>Defaults Upon Senior Securities</u>	49
Item 4. <u>Mine Safety Disclosures</u>	49
Item 5. <u>Other Information</u>	50
Item 6. <u>Exhibits</u>	50
<u>Signatures</u>	51
<u>Exhibit Index</u>	52
Certifications	

Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements (unaudited)

NUANCE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2015		Nine Months Ended June 30, 2015	
	2014	2015	2014	2015
	(Unaudited)			
	(In thousands, except per share amounts)			
Revenues:				
Product and licensing	\$ 162,806	\$ 168,224	\$ 506,945	\$ 521,480
Professional services and hosting	234,253	231,698	684,927	677,359
Maintenance and support	80,880	75,582	235,145	222,298
Total revenues	477,939	475,504	1,427,017	1,421,137
Cost of revenues:				
Product and licensing	21,276	23,934	68,498	74,598
Professional services and hosting	153,924	163,587	462,188	475,604
Maintenance and support	13,715	13,566	41,151	38,533
Amortization of intangible assets	15,776	15,006	46,538	45,542
Total cost of revenues	204,691	216,093	618,375	634,277
Gross profit	273,248	259,411	808,642	786,860
Operating expenses:				
Research and development	79,050	87,137	236,393	252,188
Sales and marketing	99,285	99,783	303,789	316,969
General and administrative	40,977	43,732	137,278	131,890
Amortization of intangible assets	26,371	27,287	78,526	81,330
Acquisition-related costs, net	2,423	9,110	13,702	18,710
Restructuring and other charges, net	10,808	8,622	12,703	17,178
Total operating expenses	258,914	275,671	782,391	818,265
Income (loss) from operations	14,334	(16,260)	26,251	(31,405)
Other income (expense):				
Interest income	670	535	1,859	1,728
Interest expense	(29,486)	(31,926)	(89,417)	(99,872)
Other (expense) income, net	(18,375)	363	(19,270)	(3,007)
Loss before income taxes	(32,857)	(47,288)	(80,577)	(132,556)
Provision for income taxes	6,533	6,959	23,406	16,331
Net loss	\$(39,390)	\$(54,247)	\$(103,983)	\$(148,887)
Net loss per share:				
Basic	\$(0.13)	\$(0.17)	\$(0.33)	\$(0.47)
Diluted	\$(0.13)	\$(0.17)	\$(0.33)	\$(0.47)