

BOTTOMLINE TECHNOLOGIES INC /DE/  
Form 10-Q  
May 09, 2008

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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 March 31, 2008

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)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

02-0433294  
(I.R.S. Employer  
Identification No.)

325 Corporate Drive  
Portsmouth, New Hampshire  
(Address of principal executive offices)

03801-6808  
(Zip Code)

(603) 436-0700  
(Registrant's telephone number, including area code)

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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, a non-accelerated filer, or a smaller reporting company. See 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  Smaller Reporting Company   
(Do not check if a 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 April 30, 2008 was 25,001,688.

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## PART I. FINANCIAL INFORMATION

## Item 1.

## Financial Statements

Bottomline Technologies (de), Inc.  
Unaudited Condensed Consolidated Balance Sheets  
(in thousands)

	March 31, 2008	June 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 76,877	\$ 38,997
Marketable securities	55	26,876
Accounts receivable, net of allowance for doubtful accounts and returns of \$1,276 at March 31, 2008 and \$1,590 at June 30, 2007	19,890	24,169
Other current assets	4,540	5,402
Total current assets	101,362	95,444
Property and equipment, net	8,846	8,270
Intangible assets, net	75,322	84,296
Other assets	2,612	1,784
Total assets	\$ 188,142	\$ 189,794
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 6,495	\$ 6,650
Accrued expenses	7,098	8,475
Deferred revenue	25,028	24,998
Total current liabilities	38,621	40,123
Deferred revenue, non-current	2,208	2,498
Deferred income taxes	4,876	6,258
Other liabilities	1,029	479
Total liabilities	46,734	49,358
Stockholders' equity:		
Common stock	26	25
Additional paid-in capital	275,247	263,229
Accumulated other comprehensive income	7,534	8,292
Treasury stock	(19,846)	(11,285)
Accumulated deficit	(121,553)	(119,825)
Total stockholders' equity	141,408	140,436
Total liabilities and stockholders' equity	\$ 188,142	\$ 189,794

See accompanying notes.



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

	Three Months Ended	
	March 31,	
	2008	2007
Revenues:		
Software licenses	\$ 3,149	\$ 4,071
Subscriptions and transactions	7,223	6,750
Service and maintenance	18,359	16,856
Equipment and supplies	3,301	3,438
Total revenues	32,032	31,115
Cost of revenues:		
Software licenses	173	177
Subscriptions and transactions	3,839	3,064
Service and maintenance (1)	8,117	7,864
Equipment and supplies	2,409	2,532
Total cost of revenues	14,538	13,637
Gross profit	17,494	17,478
Operating expenses:		
Sales and marketing (1)	7,411	8,073
Product development and engineering (1)	4,016	4,248
General and administrative (1)	4,516	5,110
Amortization of intangible assets	2,629	2,701
Total operating expenses	18,572	20,132
Loss from operations	(1,078)	(2,654)
Other income, net	998	682
Loss before provision for income taxes	(80)	(1,972)
Provision (benefit) for income taxes	267	(98)
Net loss	\$ (347)	\$ (1,874)
Basic and diluted net loss per share:	\$ (0.01)	\$ (0.08)
Shares used in computing net loss per basic and diluted share:	23,927	23,529

(1) Stock based compensation is allocated as follows:

	Three Months Ended	
	March 31,	
	2008	2007
Cost of revenues: service and maintenance	\$ 271	\$ 231
Sales and marketing	800	663
Product development and engineering	209	186
General and administrative	1,095	871
	\$ 2,375	\$ 1,951

See accompanying notes.

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

	Nine Months Ended March 31,	
	2008	2007
Revenues:		
Software licenses	\$ 9,906	\$ 10,005
Subscriptions and transactions	21,407	19,976
Service and maintenance	54,127	45,854
Equipment and supplies	9,786	10,152
Total revenues	95,226	85,987
Cost of revenues:		
Software licenses	598	560
Subscriptions and transactions	11,723	8,457
Service and maintenance (1)	23,504	21,626
Equipment and supplies	7,024	7,529
Total cost of revenues	42,849	38,172
Gross profit	52,377	47,815
Operating expenses:		
Sales and marketing (1)	22,777	22,887
Product development and engineering (1)	12,468	12,100
General and administrative (1)	13,702	14,558
Amortization of intangible assets	7,958	6,575
Total operating expenses	56,905	56,120
Loss from operations	(4,528)	(8,305)
Other income, net	2,790	2,421
Loss before provision for income taxes	(1,738)	(5,884)
Provision (benefit) for income taxes	84	(414)
Net loss	\$ (1,822)	\$ (5,470)
Basic and diluted net loss per share	\$ (0.08)	\$ (0.23)
Shares used in computing net loss per basic and diluted share:	23,806	23,527

(1) Stock based compensation is allocated as follows:

	Nine Months Ended March 31,	
	2008	2007
Cost of revenues: service and maintenance	\$ 740	\$ 520
Sales and marketing	2,097	2,120
Product development and engineering	592	578
General and administrative	2,975	2,673
	\$ 6,404	\$ 5,891



See accompanying notes.

Bottomline Technologies (de), Inc.  
 Unaudited Condensed Consolidated Statements of Cash Flows  
 (in thousands)

	Nine Months Ended March 31,	
	2008	2007
Operating activities:		
Net loss	\$ (1,822)	\$ (5,470)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock compensation expense	6,404	5,891
Amortization of intangible assets	7,958	6,575
Depreciation and amortization of property and equipment	2,525	2,265
Loss on disposal of property and equipment	51	—
Deferred income tax benefit	(561)	(585)
Excess tax benefits associated with stock compensation	(118)	(30)
Provision for allowances on accounts receivable	(125)	(120)
Provision for obsolete inventory	15	(39)
Gain on foreign exchange	(309)	(69)
Changes in operating assets and liabilities:		
Accounts receivable	4,498	1,703
Inventory, prepaid expenses and other assets	921	275
Accounts payable, accrued expenses and deferred revenue	(2,322)	(1,329)
Net cash provided by operating activities	17,115	9,067
Investing activities:		