

OPNET TECHNOLOGIES INC

Form 10-Q

November 09, 2011

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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 September 30, 2011

OR

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

(Commission file number: 000-30931)

OPNET TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

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| | | |
|--|--|--|
| Delaware (State or other jurisdiction of incorporation or organization) | 7372 (Primary Standard Industrial Classification Code Number) 7255 Woodmont Avenue Bethesda, MD 20814 (Address of principal executive office) (240) 497-3000 (Registrant's telephone number, including area code) | 52-1483235 (I.R.S. Employer Identification No.) |
|--|--|--|

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 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 definitions of "large accelerated filer", "accelerated filer", or "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

| | |
|--|---|
| Large accelerated filer <input type="checkbox"/> | Accelerated filer <input checked="" type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> | Smaller reporting company <input type="checkbox"/> |

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 on November 1, 2011 was 22,508,049.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Condensed Consolidated Financial Statements****OPNET TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

(unaudited)

| | September 30, 2011 | March 31, 2011 |
|---|-----------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 71,718 | \$ 83,296 |
| Marketable securities | 39,640 | 31,432 |
| Accounts receivable, net of \$584 and \$346 in allowance for doubtful accounts at September 30 and March 31, 2011, respectively | 36,685 | 32,597 |
| Unbilled accounts receivable | 1,586 | 1,915 |
| Inventory | 893 | 666 |
| Deferred income taxes, prepaid expenses and other current assets | 7,924 | 4,289 |
| | 158,446 | 154,195 |
| Property and equipment, net | 13,805 | 12,701 |
| Intangible assets, net | 3,380 | 4,507 |
| Goodwill | 15,406 | 15,406 |
| Deferred income taxes and other assets | 5,607 | 5,014 |
| Total assets | \$ 196,644 | \$ 191,823 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,316 | \$ 1,247 |
| Accrued liabilities | 13,212 | 14,698 |
| Other income taxes | 157 | 186 |
| Deferred rent | 207 | 182 |
| Deferred revenue | 39,030 | 42,282 |
| Total current liabilities | 54,922 | 58,595 |
| Accrued liabilities | 77 | 107 |
| Deferred rent | 2,731 | 2,422 |
| Deferred revenue | 5,023 | 5,215 |
| Other income taxes | 734 | 661 |
| Total liabilities | \$ 63,487 | \$ 67,000 |

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Commitments and contingencies (Note 12)

Stockholders' equity:

| | | |
|--|----------------|----------------|
| Common stock-par value \$0.001; 100,000,000 shares authorized; 30,169,153 and 29,883,409 shares issued at September 30 and March 31, 2011, respectively; 22,506,049 and 22,228,504 shares outstanding at September 30 and March 31, 2011, respectively | 30 | 30 |
| Additional paid-in capital | 126,499 | 121,230 |
| Retained earnings | 28,944 | 25,348 |
| Accumulated other comprehensive loss | (871) | (649) |
| Treasury stock, at cost 7,663,104 and 7,654,905 shares at September 30 and March 31, 2011, respectively | (21,445) | (21,136) |
| Total stockholders' equity | 133,157 | 124,823 |
| Total liabilities and stockholders' equity | \$ 196,644 | \$ 191,823 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents**OPNET TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

(unaudited)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|---|-----------------|---|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenue: | | | | |
| Product | \$ 20,599 | \$ 17,673 | \$ 40,028 | \$ 30,645 |
| Product updates, technical support and services | 15,413 | 13,050 | 30,105 | 25,372 |
| Professional services | 5,909 | 5,395 | 12,035 | 11,186 |
| Total revenue | 41,921 | 36,118 | 82,168 | 67,203 |
| Cost of revenue: | | | | |
| Product | 3,928 | 2,487 | 6,399 | 3,779 |
| Product updates, technical support and services | 1,380 | 1,270 | 2,827 | 2,558 |
| Professional services | 3,751 | 4,195 | 7,617 | 8,497 |
| Amortization of acquired technology and customer relationships | 537 | 499 | 1,076 | 958 |
| Total cost of revenue | 9,596 | 8,451 | 17,919 | 15,792 |
| Gross profit | 32,325 | 27,667 | 64,249 | 51,411 |
| Operating expenses: | | | | |
| Research and development | 9,088 | 8,578 | 18,330 | 16,641 |
| Sales and marketing | 13,471 | 11,402 | 26,070 | 21,852 |
| General and administrative | 2,504 | 3,035 | 6,293 | 5,958 |
| Total operating expenses | 25,063 | 23,015 | 50,693 | 44,451 |
| Income from operations | 7,262 | 4,652 | 13,556 | 6,960 |
| Interest and other expense, net | | (1) | (59) | (31) |
| Income before provision for income taxes | 7,262 | 4,651 | 13,497 | 6,929 |
| Provision for income taxes | 2,476 | 1,735 | 4,522 | 2,675 |
| Net income | \$ 4,786 | \$ 2,916 | \$ 8,975 | \$ 4,254 |
| Basic net income per common share | \$ 0.21 | \$ 0.14 | \$ 0.40 | \$ 0.20 |
| Diluted net income per common share | \$ 0.21 | \$ 0.13 | \$ 0.39 | \$ 0.19 |

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| | | | | |
|--|--------|--------|--------|--------|
| Basic weighted average common shares outstanding | 22,240 | 21,251 | 22,149 | 21,090 |
| Diluted weighted average common shares outstanding | 22,687 | 21,788 | 22,646 | 21,675 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents**OPNET TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

| | Six Months Ended September 30, | |
|---|---|-------------|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net income | \$ 8,975 | \$ 4,254 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,099 | 2,774 |
| Provision for losses on accounts receivable | 296 | 276 |
| Deferred income taxes | (755) | (597) |
| Non-cash stock-based compensation expense | 1,145 | 791 |
| Non-cash accretion of market discount on marketable securities | 56 | |