

VMWARE, INC.
Form 10-Q
August 02, 2013

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, 2013

OR

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

For transition period from to
Commission File Number 001-33622

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

Delaware	94-3292913
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3401 Hillview Avenue Palo Alto, CA	94304
(Address of principal executive offices)	(Zip Code)
(650) 427-5000	
(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 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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	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

As of July 26, 2013, the number of shares of common stock, par value \$0.01 per share, of the registrant outstanding was 429,517,210 of which 129,517,210 shares were Class A common stock and 300,000,000 were Class B common stock.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VMware, Inc.

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)

(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues:				
License	\$530.5	\$517.2	\$1,018.7	\$999.1
Services	712.6	605.8	1,415.9	1,179.1
Total revenues	1,243.1	1,123.0	2,434.6	2,178.2
Operating expenses (1):				
Cost of license revenues	54.6	56.6	111.9	113.3
Cost of services revenues	118.5	122.7	243.1	236.8
Research and development	260.7	248.6	531.2	471.0
Sales and marketing	442.1	391.5	859.5	754.9
General and administrative	96.3	91.7	194.8	173.1
Realignment charges	0.6	—	63.5	—
Operating income	270.3	211.9	430.6	429.1
Investment income	7.0	6.9	14.8	12.7
Interest expense with EMC	(0.9) (1.2) (1.9) (2.4
Other income (expense), net	16.9	(3.5) 13.9	(1.4
Income before income taxes	293.3	214.1	457.4	438.0
Income tax provision	49.2	22.4	39.7	54.8
Net income	\$244.1	\$191.7	\$417.7	\$383.2
Net income per weighted-average share, basic for Class A and Class B	\$0.57	\$0.45	\$0.98	\$0.90
Net income per weighted-average share, diluted for Class A and Class B	\$0.57	\$0.44	\$0.97	\$0.88
Weighted-average shares, basic for Class A and Class B	428.3	427.2	428.2	426.1
Weighted-average shares, diluted for Class A and Class B	432.0	434.6	432.4	434.0

(1) Includes stock-based compensation as follows:

Cost of license revenues	\$0.5	\$0.5	\$1.0	\$1.0
Cost of services revenues	6.7	7.1	14.0	12.9
Research and development	51.0	48.0	113.3	87.4
Sales and marketing	33.4	33.9	69.5	59.1
General and administrative	11.6	11.4	25.7	22.3
Realignment charges	0.3	—	5.7	—

The accompanying notes are an integral part of the consolidated financial statements.

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VMware, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income	\$244.1			