

PHOENIX TECHNOLOGIES LTD
Form 10-Q/A
September 25, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q/A

(Amendment No. 1)

(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, 2006

or

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

For the transition period _____ to _____.

Commission file number 0-17111

PHOENIX TECHNOLOGIES LTD.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

915 Murphy Ranch Road, Milpitas, CA 95035

04-2685985
(I.R.S. Employer

Identification Number)

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(Address of principal executive offices, including zip code)

(408) 570-1000

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 31, 2006, the number of outstanding shares of the registrant's common stock, \$0.001 par value, was 25,430,698.

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EXPLANATORY NOTE

Phoenix Technologies Ltd. is filing this Form 10-Q/A (Amendment No. 1) as of and for the nine months ended June 30, 2006 solely to reflect the reclassification of approximately \$9.2 million and \$9.1 million from Cash and cash equivalents to Marketable securities as of June 30, 2006 and September 30, 2005, respectively. The September 30, 2005 reclassification was disclosed in Note 1. Summary of Significant Accounting Policies - Reclassifications to the Notes to Condensed Consolidated Financial Statements (Unaudited) in the original Form 10-Q, but the conforming changes to the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows were inadvertently omitted. The following line items were revised to reflect the reclassification:

Condensed Consolidated Balance Sheets

	June 30, 2006		September 30, 2005	
	As Reported	As Amended	As Reported	As Amended
Cash and cash equivalents	\$ 39,854	\$ 30,654	\$ 36,905	\$ 27,805
Marketable securities	30,602	39,802	37,922	47,022
Condensed Consolidated Statements of Cash Flows				

	Nine Months Ended June 30,			
	2006		2005	
	As Reported	As Amended	As Reported	As Amended
Purchase of marketable securities	(228,429)	(228,529)	(143,240)	(150,340)
Net cash provided by (used in) investing activities	5,339	5,239	(6,973)	(14,073)

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Net increase in cash and cash equivalents	2,949	2,849	8,591	1,491
Cash and cash equivalents at beginning of period	36,905	27,805	38,898	33,898
Cash and cash equivalents at end of period	39,854	30,654	47,489	35,389

No attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q, except as required to reflect the effects of the reclassification. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures. Information not affected by the reclassification is unchanged and reflects the disclosure made at the time of the original filing of the Form 10-Q with the Securities and Exchange Commission on August 9, 2006. The following items have been amended: Part I - Item 1 - Financial Statements and Part II - Item 6 - Exhibits.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****PHOENIX TECHNOLOGIES LTD.****CONDENSED CONSOLIDATED BALANCE SHEETS***(in thousands)**(Unaudited)*

	June 30,	September 30,
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,654	\$ 27,805
Marketable securities	39,802	47,022
Accounts receivable, net of allowances	11,336	22,684
Prepaid royalties and maintenance	202	2,254
Other current assets	4,588	4,450
Total current assets	86,582	104,215
Property and equipment, net	4,074	4,550
Purchased Technology and Intangible assets, net	2,066	4,936
Goodwill	14,433	13,932
Other assets	2,234	3,403
Total assets	\$ 109,389	\$ 131,036
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,391	\$ 2,120
Accrued compensation and related liabilities	3,973	3,863
Deferred revenue	9,513	8,305
Income taxes payable	10,460	11,425
Accrued restructuring charges - current	2,154	414
Other accrued liabilities	2,842	3,740
Total current liabilities	31,333	29,867
Accrued restructuring charges - noncurrent	1,032	1,265
Other liabilities	3,558	2,940
Total liabilities	35,923	34,072
Stockholders' equity:		
Preferred stock		
Common stock	34	33
Additional paid-in capital	190,540	183,749
Deferred compensation		(302)

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Retained earnings	(24,578)	5,070
Accumulated other comprehensive loss	(882)	(1,143)
Less: Cost of treasury stock	(91,648)	(90,443)
Total stockholders' equity	73,466	96,964
Total liabilities and stockholders' equity	\$ 109,389	\$ 131,036

See notes to unaudited condensed consolidated financial statements

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	Three Months ended June 30,		Nine Months ended June 30,	
	2006	2005	2006	2005
Revenues	\$ 10,450	\$ 23,733	\$ 52,151	\$ 76,953
Cost of revenues	5,411	4,371	14,849	12,935
Gross Margin	5,039	19,362	37,302	64,018
Operating expenses:				
Research and development	5,858	5,139	17,735	15,120
Sales and marketing	9,548	8,987	28,258	27,061
General and administrative	5,896	3,886	16,025	11,536
Amortization of acquired intangible assets	17	17	52	52
Restructuring	1,887		1,887	
Total operating expenses	23,206	18,029	63,957	53,769
Income (loss) from operations	(18,167)	1,333	(26,655)	10,249
Interest and other income, net	440	(180)	1,325	(921)
Income (loss) before income taxes	(17,727)	1,153	(25,330)	9,328
Income tax expense	833	415	4,318	3,358
Net income (loss)	\$ (18,560)	\$ 738	\$ (29,648)	\$ 5,970
Earnings (loss) per share:				
Basic	\$ (0.73)	\$ 0.03	\$ (1.18)	\$ 0.24
Diluted	\$ (0.73)	\$ 0.03	\$ (1.18)	\$ 0.23
Shares used in Earnings (loss) per share calculation:				
Basic	25,333	24,893	25,152	24,759
Diluted	25,333	25,781	25,152	25,623

See notes to unaudited condensed consolidated financial statements

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	Nine Months Ended June 30,	
	2006	2005
Cash flows from operating activities:		
Net income (loss)	\$ (29,648)	\$ 5,970
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	4,825	4,907
Stock-based compensation	3,881	190
Loss from disposal of fixed assets	2	
Deferred income tax	790	370
Change in operating assets and liabilities:		
Accounts receivable	11,451	(1,743)
Prepaid royalties and maintenance	2,088	1,714
Other assets	232	1,954
Accounts payable	274	(193)
Accrued compensation and related liabilities	489	438
Deferred revenue	1,254	(654)
Income taxes	(954)	(1,257)
Accrued restructuring charges	1,519	(544)
Other accrued liabilities	(650)	439
Net cash provided by (used in) operating activities	(4,447)	11,591
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	235,750	139,226
Purchases of marketable securities	(228,529)	(150,340)
Purchases of property and equipment	(1,482)	(2,459)
Acquisition of businesses, net of cash acquired	(500)	(500)
Net cash provided by (used in) investing activities	5,239	(14,073)
Cash flows from financing activities:		
Proceeds from stock purchases under stock option and stock purchase plans	3,206	2,681
Repurchase of common stock	(1,205)	
Net cash provided by financing activities	2,001	2,681
Effect of changes in exchange rates	56	1,292
Net increase in cash and cash equivalents	2,849	1,491
Cash and cash equivalents at beginning of period	27,805	33,898
Cash and cash equivalents at end of period	\$ 30,654	\$ 35,389