

NETSUITE INC
Form 10-Q
August 02, 2013
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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 June 30, 2013

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 001-33870

NetSuite Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
2955 Campus Drive, Suite 100

94-3310471
(I.R.S. Employer Identification No.)

San Mateo, California

94403-2511

(Address of principal executive offices)

(Zip Code)

(650) 627-1000
(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 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). (Check one): 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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting

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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

On July 29, 2013, 74,182,630 shares of the registrant’s Common Stock, \$0.01 par value, were issued and outstanding.

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PART I – Financial Information

ITEM 1. Financial Statements

NetSuite Inc.

Condensed Consolidated Balance Sheets

(dollars in thousands)

(unaudited)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$454,895	\$185,859
Accounts receivable, net of allowances of \$533 and \$701 as of June 30, 2013 and December 31, 2012, respectively	62,377	64,861
Deferred commissions	27,570	26,959
Other current assets	17,945	9,049
Total current assets	562,787	286,728
Property and equipment, net	42,159	27,210
Deferred commissions, non-current	5,432	4,784
Goodwill	63,378	35,661
Other intangible assets, net	21,423	12,420
Other assets	9,106	2,972
Total assets	\$704,285	\$369,775
Liabilities and total equity		
Current liabilities:		
Accounts payable	\$6,824	\$3,476
Deferred revenue	171,571	154,051
Accrued compensation	17,809	18,806
Accrued expenses	14,005	11,974
Other current liabilities (including note payable to related party of \$2,959 and \$1,584 as of June 30, 2013 and December 31, 2012, respectively)	13,798	9,948
Total current liabilities	224,007	198,255
Long-term liabilities:		
Convertible 0.25% senior notes, net	248,363	—
Deferred revenue, non-current	9,293	7,365
Other long-term liabilities (including note payable to related party of \$10,043 and \$401 as of June 30, 2013 and December 31, 2012, respectively)	20,426	5,386
Total long-term liabilities	278,082	12,751
Total liabilities	502,089	211,006
Commitments and contingencies (Note 4)		
Total equity:		
Common stock, par value \$0.01, 500,000,000 shares authorized; 74,108,239 and 72,675,265 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	741	727
Additional paid-in capital	613,557	535,853
Accumulated other comprehensive income	86	950
Accumulated deficit	(412,188)	(378,761)
Total equity	202,196	158,769

Total liabilities and total equity	\$704,285	\$369,775
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See accompanying Notes to Condensed Consolidated Financial Statements.

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NetSuite Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(dollars and shares in thousands, except per share data)

(unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2013	2012	2013	2012
Revenue:				
Subscription and support	\$ 154,199	\$ 119,039	\$ 80,239	\$ 61,049
Professional services and other	38,426	24,989	20,757	13,660
Total revenue	192,625	144,028	100,996	74,709
Cost of revenue:				
Subscription and support	25,826	19,842	13,511	10,631
Professional services and other	37,225	24,007	19,895	12,423
Total cost of revenue	63,051	43,849	33,406	23,054
Gross profit	129,574	100,179	67,590	51,655
Operating expenses:				
Product development	35,446	24,368	18,796	