

SABA SOFTWARE INC
Form 10-Q
April 09, 2010
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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 February 28, 2010

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

For the transition period from to .

001-34372

(Commission File number)

SABA SOFTWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware (State or other jurisdiction of incorporation or organization)	94-3267638 (I.R.S. Employer Identification No.)
2400 Bridge Parkway Redwood Shores, California (Address of principal executive offices)	94065-1166 (Zip Code)
(650) 581-2500 (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 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 smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input 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 checked="" 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

On March 31, 2010, 28,001,577 shares of the registrant's Common Stock, \$.001 par value, were outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

	February 28, 2010 (unaudited)	May 31, 2009 *
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,797	\$ 25,978
Restricted cash	118	100
Accounts receivable, net	24,818	20,010
Prepaid expenses and other current assets	2,329	2,245
Total current assets	52,062	48,333
Property and equipment, net	3,583	4,755
Goodwill	36,095	36,095
Purchased intangible assets, net	5,956	8,743
Restricted cash	260	260
Other assets	1,444	1,537
Total assets	\$ 99,400	\$ 99,723
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 3,047	\$ 2,620
Accrued compensation and related expenses	6,378	5,867
Accrued expenses	2,979	3,137
Deferred revenue	33,234	32,611
Current portion of debt and lease obligations	433	630
Total current liabilities	46,071	44,865
Deferred revenue	2,738	2,728
Other long-term liabilities	1,356	1,354
Accrued rent	1,896	2,211
Total liabilities	52,061	51,158
Stockholders' equity:		
Preferred stock, issuable in series \$0.001 par value, 5,000,000 authorized shares at February 28, 2010 and May 31, 2009; none issued or outstanding		
Common stock, \$0.001 par value, 50,000,000 authorized; 28,079,995 shares issued at February 28, 2010 and 29,300,148 shares issued at May 31, 2009	28	30
Additional paid-in capital	254,659	258,128
Treasury stock: 102,997 shares at February 28, 2010 and May 31, 2009.	(232)	(232)

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Accumulated deficit	(207,113)	(209,230)
Accumulated other comprehensive loss	(3)	(131)
Total stockholders' equity	47,339	48,565
Total liabilities and stockholders' equity	\$ 99,400	\$ 99,723

* Derived from audited financial statements included in the Company's Annual Report on Form 10-K for the year ended May 31, 2009 filed with the United States Securities and Exchange Commission.

See Accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except share and per share data)

(Unaudited)

	Three months ended February 28,		Nine months ended February 28,	
	2010	2009	2010	2009
Revenues:				
Subscription	\$ 14,333	\$ 13,827	\$ 42,469	\$ 41,484
License	5,515	4,725	17,579	10,654
Professional services	6,812	7,594	19,905	25,133
Total revenues	26,660	26,146	79,953	77,271
Cost of revenues:				
Cost of subscription	4,103	4,060	12,266	13,134
Cost of license	163	178	597	622
Cost of professional services	5,070	5,509	14,420	16,900
Amortization of acquired developed technology	295	295	884	883
Total cost of revenues	9,631	10,042	28,167	31,539
Gross profit	17,029	16,104	51,786	45,732
Operating expenses:				
Research and development	4,609	4,346	13,555	13,238
Sales and marketing	7,733	5,673	23,047	19,601
General and administrative	3,530	3,389	10,985	11,625
Restructuring		277	(38)	252
Amortization of purchased intangible assets	634	634	1,903	1,903
Total operating expenses	16,506	14,319	49,452	46,619
Income (loss) from operations	523	1,785	2,334	(887)
Interest and other income (expense), net	(48)	(29)	(15)	381
Interest expense	(1)	(6)	(6)	(27)
Income (loss) before provision for income taxes	474	1,750	2,313	(533)
Provision for income taxes	(44)	(415)	(197)	(701)
Net income (loss)	\$ 430	\$ 1,335	\$ 2,116	\$ (1,234)
Basic net income (loss) per share	\$ 0.02	\$ 0.05	\$ 0.07	\$ (0.04)
Diluted net income (loss) per share	\$ 0.01	\$ 0.05	\$ 0.07	\$ (0.04)
Shares used in computing basic net income (loss) per share	27,922	29,186	28,336	29,167

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Shares used in computing diluted net income (loss) per share	29,043	29,247	29,308	29,167
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See Accompanying Notes to Condensed Consolidated Financial Statements.

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	Nine months ended February 28,	
	2010	2009
Operating activities:		
Net income (loss)	\$ 2,116	\$ (1,234)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,821	1,852
Amortization of purchased intangible assets	2,787	2,786
Share-based compensation	1,267	1,578
Changes in operating assets and liabilities:		
Accounts receivable	(5,058)	(1,641)
Prepaid expenses and other current assets	(76)	604
Other assets	87	262
Accounts payable	409	(267)
Accrued compensation and related expenses	613	(263)
Accrued expenses	(4)	(702)
Deferred revenue	1,031	4,648