CITRIX SYSTEMS INC
Form 10-Q
August 07, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

or

o 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 0-27084

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

Delaware (State or other jurisdiction of incorporation or organization)	75-2275152 (IRS Employer Identification No.)
851 West Cypress Creek Road Fort Lauderdale, Florida (Address of principal executive offices)	33309 (Zip Code)

Registrant's Telephone Number, Including Area Code:
(954) 267-3000

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 x No o

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). x Yes o 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.

x Large accelerated filer	o Accelerated filer
o Non-accelerated filer	o 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 o No x

As of August 1, 2012 there were 186,965,376 shares of the registrant’s Common Stock, $.001 par value per share, outstanding.

CITRIX SYSTEMS, INC.
Form 10-Q
For the Quarterly Period Ended June 30, 2012
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PART I: FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CITRIX SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2012	December 31, 2011
	(In thousands, except par value)	
Assets		
Current assets:		
Cash and cash equivalents	$961,840	$333,296
Short-term investments — available-for-sale	335,944	406,461
Accounts receivable, net of allowances of $4,639 and $3,925 at June 30, 2012 and December 31, 2011, respectively	404,212	484,431
Inventories, net	6,659	8,507
Prepaid expenses and other current assets	123,064	95,419
Current portion of deferred tax assets, net	43,957	44,916
Total current assets	1,875,676	1,373,030
Long-term investments — available-for-sale	410,369	737,844
Property and equipment, net	283,535	277,429
Goodwill	1,297,879	1,239,120
Other intangible assets, net	353,852	343,372
Long-term portion of deferred tax assets, net	45,059	67,479
Other assets	62,646	61,267
	$4,329,016	$4,099,541
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$61,709	$58,034
Accrued expenses and other current liabilities	226,152	223,136
Current portion of deferred tax liabilities, net	120	79,318
Current portion of deferred revenues	846,172	818,642
Total current liabilities	1,134,153	1,179,130
Long-term portion of deferred revenues	182,191	141,241
Long-term portion of deferred tax liabilities, net	54,721	20,247
Other liabilities	27,969	28,433
Commitments and contingencies		
Stockholders' equity:		
Preferred stock at $.01 par value: 5,000 shares authorized, none issued and outstanding	—	—
Common stock at $.001 par value: 1,000,000 shares authorized; 285,258 and 282,774 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	285	283
Additional paid-in capital	3,549,622	3,385,053
Retained earnings	2,371,744	2,211,471
Accumulated other comprehensive loss	(21,854)	(11,561)
	5,899,797	5,585,246
Less — common stock in treasury, at cost (98,535 and 96,960 shares at June 30, 2012 and December 31, 2011, respectively)	(2,969,815)	(2,854,756)
Total stockholders' equity	2,929,982	2,730,490

	$4,329,016	$4,099,541

See accompanying notes.

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CITRIX SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands, except per share information)			
Revenues:				
Product and licenses	$187,917	$171,326	$366,281	$321,586
Software as a service	125,510	106,479	246,243	206,251
License updates and maintenance	272,537	231,682	537,062	453,061
Professional services	29,246	21,303	55,119	40,780
Total net revenues	615,210	530,790	1,204,705	1,021,678
Cost of net revenues:				
Cost of product and license revenues	20,854	18,448	39,658	32,489
Cost of services and maintenance revenues	56,404	40,843	107,408	74,080
Amortization of product related intangible assets	17,100	12,542	33,635	25,241
Total cost of net revenues	94,358	71,833	180,701	131,810
Gross margin	520,852	458,957	1,024,004	889,868
Operating expenses:				
Research and development	110,028	91,374	213,650	181,922
Sales, marketing and services	262,139	211,396	510,596	416,940
General and administrative	61,299	56,660	121,155	107,063
Amortization of other intangible assets	5,194	3,937	15,661	7,446
Restructuring	—	—	—	24
Total operating expenses	438,660	363,367	861,062	713,395
Income from operations	82,192	95,590	162,942	176,473
Interest income	2,828	3,727	5,906	7,666
Other income, net	525	1,361	1,247	4,994
Income before income taxes	85,545	100,678	170,095	189,133
Income tax (benefit) expense	(6,461)	19,270	9,822	34,378
Consolidated net income	92,006	81,408	160,273	154,755
Less: Net loss attributable to non-controlling interest	—	536	—	692
Net income attributable to Citrix Systems, Inc.	$92,006	$81,944	$160,273	$155,447
Net income per share attributable to Citrix Systems, Inc. stockholders:				
Net income per share attributable to Citrix Systems, Inc. stockholders — basic	$0.49	$0.44	$0.86	$0.83
Net income per share attributable to Citrix Systems, Inc. stockholders — diluted	$0.49	$0.43	$0.85	$0.81
Weighted average shares outstanding:				
Basic	186,372	187,691	186,052	187,810
Diluted	189,279	191,412	189,082	191,636

See accompanying notes.

CITRIX SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Consolidated net income	$92,006	$81,408	$160,273	$154,755
Other comprehensive income:				
Change in foreign currency translation adjustment	(11,802)	1,940	(9,850)	7,373
Available for sale securities:				
Change in net unrealized gains	1,023	1,460	2,457	1,611
Less: reclassification adjustment for net (gains) losses included in net income	(3,055)	165	(2,862)	655
Net change (net of tax effect)	(2,032)	1,625	(405)	2,266
Cash flow hedges:				
Change in unrealized gains	(4,378)	(6,454)	(2,344)	(4,237)
Less: reclassification adjustment for net losses included in net income	779	4,874	2,306	5,494
Net change (net of tax effect)	(3,599)	(1,580)	(38)	1,257
Other comprehensive (loss) income	(17,433)	1,985	(10,293)	10,896
Comprehensive income	74,573	83,393	149,980	165,651
Less: Comprehensive loss attributable to non-controlling interest	—	536	—	692
Comprehensive income attributable to Citrix Systems, Inc.	$74,573	$83,929	$149,980	$166,343

See accompanying notes.

CITRIX SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2012	2011
	(In thousands)	
Operating Activities		
Net income	$160,273	$154,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	49,296	32,687
Depreciation and amortization of property and equipment	46,049	40,018
Stock-based compensation expense	68,819	38,637
(Gain) loss on investments	(6,885)	655
Provision for doubtful accounts	386	(669)
Provision for product returns	6,437	2,222
Provision for inventory reserves	903	1,171
Tax effect of stock-based compensation	23,078	37,247
Excess tax benefit from exercise of stock options	(23,979)	(37,269)
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	186	(2,347)
Other non-cash items	548	1,193
Total adjustments to reconcile net income to net cash provided by operating activities	164,838	113,545
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	70,899	44,405
Inventories	945	(1,522)
Prepaid expenses and other current assets	(31,758)	(18,469)
Other assets	(814)	497
Deferred tax assets, net	14,920	(13,036)
Accounts payable	3,155	(8,938)
Accrued expenses and other current liabilities	5,008	(28,082)
Deferred revenues	68,480	43,288
Deferred tax liabilities, net	(44,724)	25,093
Other liabilities	(408)	9,989
Total changes in operating assets and liabilities, net of the effects of acquisitions	85,703	53,225
Net cash provided by operating activities	410,814	321,525
Investing Activities		
Purchases of available-for-sale investments	(550,002)	(684,332)
Proceeds from sales of available-for-sale investments	702,711	395,709
Proceeds from maturities of available-for-sale investments	245,133	312,007
Purchases of property and equipment	(51,247)	(59,456)
Proceeds from the sales of cost method investments	6,475	—
Purchases of cost method investments	(2,547)	(8,222)
Cash paid for acquisitions, net of cash acquired	(82,378)	(118,440)
Cash paid for licensing agreements and product related intangible assets	(12,000)	(7,487)
Net cash provided by (used in) investing activities	256,145	(170,221)
Financing Activities		
Proceeds from issuance of common stock under stock-based compensation plans	61,489	85,126
Repayment of acquired debt	(7,737)	(10,926)

Excess tax benefit from exercise of stock options	23,979	37,269
Purchase of non-controlling interest	—	(17,207)
Stock repurchases, net	(99,996)	(199,915)
Cash paid for tax withholding on vested stock awards	(15,062)	(12,052)
Other	1,050	(3,000)
Net cash used in financing activities	(36,277)	(120,705)
Effect of exchange rate changes on cash and cash equivalents	(2,138)	4,055
Change in cash and cash equivalents	628,544	34,654
Cash and cash equivalents at beginning of period	333,296	396,162
Cash and cash equivalents at end of period	$961,840	$430,816

See accompanying notes.

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CITRIX SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Citrix Systems, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. All adjustments, which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown, are of a normal recurring nature and have been reflected in the condensed consolidated financial statements and accompanying notes. The results of operations for the periods presented are not necessarily indicative of the results expected for the full year or for any future period partially because of the seasonality of the Company's business. Historically, the Company's revenue for the fourth quarter of any year is typically higher than the revenue for the first quarter of the subsequent year. The information included in these condensed consolidated financial statements should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this report and the condensed consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

The condensed consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries in the Americas, Europe, the Middle East and Africa ("EMEA"), Asia-Pacific and the Online Services division. All significant transactions and balances between the Company and its subsidiaries have been eliminated in consolidation. In addition, the Company presents non-controlling interests of less-than-wholly-owned subsidiaries within the equity section of its condensed consolidated financial statements in accordance with the authoritative guidance for the presentation and disclosure of non-controlling interests of a consolidated subsidiary. See Note 4 for more information regarding the Company's non-controlling interests.

Reclassifications

During the first quarter of 2012, the Company performed a review of the historical manner of presentation of certain of its revenue categories and adopted a revised presentation, which the Company believes is more comparable to those presented by other companies in the industry and better reflects the Company's evolving product and service offerings. As a result, technical support, hardware maintenance and software updates revenues, which were previously presented in Technical services and License updates are classified together as License updates and maintenance. A corresponding change was made to rename Cost of services revenues to Cost of services and maintenance revenues; however, there was no change in classification. Product training and certification and consulting services, which were previously presented in Technical services, are classified together as Professional services. Product licenses has been renamed to Product and licenses to more appropriately describe its composition of both software and hardware, however, there was no change in classification. The composition and classification of Software as a service remained unchanged. This change in manner of presentation will not affect the Company's total net revenues, total cost of net revenues or gross margin. Conforming changes have been made for all periods presented, as follows (in thousands):

		Three Months Ended June 30, 2011		
As Previously Reported		Amount Reclassified	As Reported Herein	
Revenues:			Revenues:	
License updates	$183,875	$47,807	License updates and maintenance [2]	$231,682
Technical services [1]	69,110	(47,807)	Professional services [3]	21,303
Total	$252,985	$—	Total	$252,985

Six Months Ended June 30, 2011

As Previously Reported		Amount Reclassified		As Reported Herein	
Revenues:				Revenues:	
License updates	$361,751	$91,310		License updates and maintenance [2]	$453,061
Technical services [1]	132,090	(91,310	)	Professional services [3]	40,780
Total	$493,841	$—		Total	$493,841

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(1) Technical services revenue was comprised of hardware maintenance, consulting services, product training and certification and technical support.
(2) License updates and maintenance is comprised of license updates, hardware and software maintenance and technical support.
(3) Professional services is comprised of consulting services and product training and certification.

Additionally, during the first quarter of 2012, the Company revised its methodology for allocating certain information technology ("IT") support costs to more closely align these costs to the employees directly utilizing the related assets and services and to reflect how management assesses the cost of headcount. As a result, certain IT support costs have been reclassified from General and administrative expenses to Cost of services and maintenance revenues, Research and development expenses and Sales, marketing and services expenses based on the headcount in each of these functional areas. This change in presentation will not affect the Company's income from operations or cash flows. Conforming changes have been made for all prior periods presented, as follows (in thousands):

		Three Months Ended June 30, 2011		
As Previously Reported		Amount Reclassified	As Reported Herein	
Cost of services revenues	$37,906	$2,937	Cost of services and maintenance revenues	$40,843
Research and development	83,312	8,062	Research and development	91,374
Sales, marketing and services	199,359	12,037	Sales, marketing and services	211,396
General and administrative	79,696	(23,036)	General and administrative	56,660
Total	$400,273	$—	Total	$400,273

		Six Months Ended June 30, 2011		
As Previously Reported		Amount Reclassified	As Reported Herein	
Cost of services revenues	$68,572	$5,508	Cost of services and maintenance revenues	$74,080
Research and development	166,030	15,892	Research and development	181,922
Sales, marketing and services	393,602	23,338	Sales, marketing and services	416,940
General and administrative	151,801	(44,738)	General and administrative	107,063
Total	$780,005	$—	Total	$780,005

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. While the Company believes that such estimates are fair when considered in conjunction with the condensed consolidated financial statements and accompanying notes, the actual amount of such estimates, when known, will vary from these estimates.

Investments

Short-term and long-term investments at June 30, 2012 and December 31, 2011 primarily consist of agency securities, corporate securities, municipal securities and government securities. Investments classified as available-for-sale are stated at fair value with unrealized gains and losses, net of taxes, reported in Accumulated other comprehensive loss. The Company classifies its available-for-sale investments as current and non-current based on their actual remaining time to maturity. The Company does not recognize changes in the fair value of its available-for-sale investments in income unless a decline in value is considered other-than-temporary in accordance with the authoritative guidance.

The Company's investment policy is designed to limit exposure to any one issuer depending on credit quality. The Company uses information provided by third parties to adjust the carrying value of certain of its investments to fair value at the end of each period. Fair values are based on a variety of inputs and may include interest rates, known historical trades, yield curve information, benchmark data, prepayment speeds, credit quality and broker/dealer quotes.

Inventory

Inventories are stated at the lower of cost or market on a standard cost basis, which approximates actual cost. The Company’s inventories as of June 30, 2012 and December 31, 2011, primarily consist of finished goods.

Revenue Recognition

Net revenues include the following categories: Product and licenses, Software as a service, License updates and maintenance and Professional services. Product and license revenues primarily represent fees related to the licensing of the Company’s software and hardware appliance products. These revenues are reflected net of sales allowances, cooperative advertising agreements, partner incentive programs and provisions for returns. Shipping charges billed to customers are included in Product and license revenue and the related shipping costs are included in Cost of product and license revenue. Software as a service ("SaaS") revenues consist primarily of fees related to online service agreements, which are recognized ratably over the contract term, which is typically 12 months. In addition, Software as a service revenues may also include set-up fees, which are recognized ratably over the contract term or the expected customer life, whichever is longer. License updates and maintenance revenues consist of fees related to the Subscription Advantage program and maintenance fees, which include technical support and hardware and software maintenance. The Company licenses many of its virtualization products bundled with a one year contract for its Subscription Advantage program. Subscription Advantage is a renewable program that provides subscribers with immediate access to software upgrades, enhancements and maintenance releases when and if they become available during the term of the contract. Subscription Advantage and maintenance fees are recognized ratably over the term of the contract, which is typically 12 to 24 months. The Company capitalizes certain third-party commissions related to Subscription Advantage renewals. The capitalized commissions are amortized to Sales, marketing and services expense at the time the related deferred revenue is recognized as revenue. Hardware and software maintenance and support contracts are typically sold separately. Professional services revenues are comprised of fees from consulting services related to the implementation of the Company’s products and fees from product training and certification, which are recognized as the services are provided.

The Company recognizes revenue when it is earned and when all of the following criteria are met: persuasive evidence of the arrangement exists; delivery has occurred or the service has been provided and the Company has no remaining obligations; the fee is fixed or determinable; and collectability is probable.

The majority of the Company’s product and license revenue consists of revenue from the sale of stand-alone software products. Stand-alone software sales generally include a perpetual license to the Company’s software and is subject to the industry specific software revenue recognition guidance. In accordance with this guidance, the Company allocates revenue to license updates related to its stand-alone software and any other undelivered elements of the arrangement based on vendor specific objective evidence (“VSOE”) of fair value of each element and such amounts are deferred until the applicable delivery criteria and other revenue recognition criteria described above have been met. The balance of the revenues, net of any discounts inherent in the arrangement, is recognized at the outset of the arrangement using the residual method as the product licenses are delivered. If management cannot objectively determine the fair value of each undelivered element based on VSOE of fair value, revenue recognition is deferred until all elements are delivered, all services have been performed, or until fair value can be objectively determined.

The Company’s hardware appliances contain software components that are essential to the overall functionality of the products. Effective January 1, 2011, the Company adopted amended accounting standards for revenue recognition to remove tangible products containing software components and non-software components that function together to deliver the product’s essential functionality from the scope of industry-specific software revenue recognition guidance on a prospective basis for new and materially modified arrangements originating after December 31, 2010.

For the Company’s non-software deliverables, it allocates the arrangement consideration based on the relative selling price of the deliverables. For the Company’s hardware appliances, it uses estimated selling price ("ESP") as its selling price. For the Company’s hardware maintenance and professional services, it generally uses VSOE as its selling price. When the Company is unable to establish selling price using VSOE for its hardware maintenance and professional services, the Company uses ESP in its allocation of arrangement consideration.

The Company’s SaaS products are considered service arrangements per the authoritative guidance; accordingly, the Company follows the provisions of Securities and Exchange Commission Staff Accounting Bulletin (“SAB”) No. 104, Revenue Recognition, when accounting for these service arrangements. Generally, the Company’s SaaS is sold separately and not bundled with the Enterprise division’s products and services.

In the normal course of business, the Company is not obligated to accept product returns from its distributors under any conditions, unless the product is defective in manufacture. The Company establishes provisions for estimated returns, as well as other sales allowances, concurrently with the recognition of revenue. Allowances for estimated product returns amounted to approximately $2.1 million and $1.4 million at June 30, 2012 and December 31, 2011, respectively. The Company also records estimated reductions to revenue for customer programs and incentive offerings, including volume-based incentives. The Company could take actions to increase its customer incentive offerings, which could result in an incremental reduction to revenue at the time the incentive is offered.

Foreign Currency

The functional currency for all of the Company's wholly-owned foreign subsidiaries in its Enterprise division is the U.S. dollar. Monetary assets and liabilities of such subsidiaries are remeasured into U.S. dollars at exchange rates in effect at the balance sheet date, and revenues and expenses are remeasured at average rates prevailing during the year. The functional currency of the Company's wholly-owned foreign subsidiaries of its Online Services division is the currency of the country in which each subsidiary is located. The Company translates assets and liabilities of these foreign subsidiaries at exchange rates in effect at the balance sheet date. The Company includes accumulated net translation adjustments in equity as a component of Accumulated other comprehensive loss. Foreign currency transaction gains and losses are the result of exchange rate changes on transactions denominated in currencies other than the functional currency, including U.S. dollars. The remeasurement of those foreign currency transactions is included in determining net income or loss for the period of exchange. See Note 9 for information on the Company's Enterprise and Online Services divisions.

Accounting for Stock-Based Compensation Plans

The Company has various stock-based compensation plans for its employees and outside directors and accounts for stock-based compensation arrangements in accordance with the authoritative guidance, which requires the Company to measure and record compensation expense in its condensed consolidated financial statements using a fair value method. See Note 7 for further information regarding the Company's stock-based compensation plans.

3. NET INCOME PER SHARE ATTRIBUTABLE TO CITRIX SYSTEMS, INC. STOCKHOLDERS

Net income per share attributable to Citrix Systems, Inc. stockholders - basic is calculated by dividing net income attributable to Citrix Systems, Inc. stockholders by the weighted-average number of common shares outstanding during each period. Net income per share attributable to Citrix Systems, Inc. stockholders - diluted is computed using the weighted average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon the exercise or settlement of stock awards (calculated using the treasury stock method) during the period they were outstanding.

The following table sets forth the computation of basic and diluted net income per share attributable to Citrix Systems, Inc. stockholders (in thousands, except per share information):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Numerator:				
Net income attributable to Citrix Systems, Inc. stockholders	$92,006	$81,944	$160,273	$155,447
Denominator:				
Denominator for basic earnings per share — weighted-average shares outstanding	186,372	187,691	186,052	187,810
Effect of dilutive employee stock awards	2,907	3,721	3,030	3,826
Denominator for diluted earnings per share — weighted-average shares outstanding	189,279	191,412	189,082	191,636
Net income per share attributable to Citrix Systems, Inc. stockholders — basic	$0.49	$0.44	$0.86	$0.83
Net income per share attributable to Citrix Systems, Inc. stockholders — diluted	$0.49	$0.43	$0.85	$0.81

Anti-dilutive weighted-average shares	3,326	1,706	4,103	1,290

4. ACQUISITIONS
2012 Acquisitions
Podio
In April 2012, the Company acquired all of the issued and outstanding securities of Podio ApS (“Podio”), a privately-held provider of a cloud-based collaborative work platform. Podio became part of the Company's Online Services division and expands the Company's offerings of integrated cloud-based support for team-based collaboration. The total consideration for this transaction was approximately $43.6 million, net of $1.7 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $0.5 million, all of which the Company expensed during the six months ended June 30, 2012 and are included in General and administrative expense in the accompanying condensed consolidated statements of income. There were no transactions costs associated with the acquisition during the three months ended June 30, 2012. In addition, in connection with the acquisition, the Company assumed non-vested stock units which were converted into the right to receive up to 127,668 shares of the Company's common stock, for which the vesting period reset fully upon the closing of the transaction.
2012 Other Acquisitions
During the first quarter of 2012, the Company acquired all of the issued and outstanding securities of a privately-held company for total cash consideration of approximately $24.6 million, net of $0.6 million of cash acquired. This target's business became part of the Company’s Enterprise division. Transaction costs associated with the acquisition were approximately $0.5 million, of which the Company expensed $0.4 million during the six months ended June 30, 2012, and are included in General and administrative expense in the accompanying condensed consolidated statements of income. There were no transactions costs associated with the acquisition during the three months ended June 30, 2012. In addition, in connection with this acquisition, the Company assumed non-vested stock units which were converted into the right to receive up to 13,481 shares of the Company's common stock and assumed certain stock options which are exercisable for 12,017 shares of the Company's common stock, for which the vesting period reset fully upon the closing of the transaction.
During the second quarter of 2012, the Company acquired all of the issued and outstanding securities of two privately-held companies for a total cash consideration of approximately $15.4 million, net of $0.2 million of cash acquired. The targets' businesses became part of the Company's Enterprise division. Transaction costs associated with the acquisitions were approximately $0.4 million, of which the Company expensed $0.2 million and $0.4 million during the three and six months ended June 30, 2012, respectively, and are included in General and administrative expense in the accompanying condensed consolidated statements of income. In addition, in connection with the acquisitions, the Company assumed non-vested stock units which were converted into the right to receive up to 66,459 shares of the Company's common stock, for which the vesting period reset fully upon the closing of each respective transaction.
The three acquisitions discussed in this section will collectively be referred to herein as the "2012 Other Acquisitions".
Purchase Accounting for the Acquisitions in 2012
The purchase prices for the companies acquired in the first six months of 2012, which include Podio and the 2012 Other Acquisitions (collectively, the "2012 Acquisitions"), were allocated to the respective acquired company's net tangible and intangible assets based on their estimated fair values as of the date of the acquisition. The allocations of the total purchase prices are summarized below (in thousands):

	Podio Purchase Price Allocation	Asset Life	2012 Other Acquisitions Purchase Price Allocation	Asset Life
Current assets	$1,906		$1,801	
Other assets	33		75	
Property and equipment	—		209	Various
Intangible assets	24,600	4-5 years	25,403	3-5 years
Goodwill	25,503	Indefinite	42,326	Indefinite

Assets acquired	52,042	69,814
Current liabilities assumed	(609)	(6,946)
Long-term liabilities assumed	—	(7,760)
Deferred tax liabilities, non-current	(6,150)	(10,031)
Net assets acquired	$45,283	$45,077

Current assets acquired in connection with the 2012 Acquisitions consisted primarily of cash and accounts receivable. Current liabilities assumed in connection with the 2012 Acquisitions consisted primarily of short-term payables and other accrued expenses. Long-term liabilities assumed in connection with the 2012 Acquisitions consisted of other long-term liabilities and long-term debt which was paid in full subsequent to the respective acquisition date. The Company continues to evaluate certain income tax assets and liabilities related to the 2012 Acquisitions. Goodwill related to the Podio acquisition was assigned to the Company's Online Services division and the goodwill related to the 2012 Other Acquisitions was assigned to the Company's Enterprise division. The goodwill related to the 2012 Acquisitions is not deductible for tax purposes. See Note 9 for segment information. The goodwill amounts are comprised primarily of expected synergies from combining operations and other intangible assets that do not qualify for separate recognition.

Revenues from Podio are included in the Company's Online Services division's revenue. Revenues from the 2012 Other Acquisitions are included in the Company's Enterprise division's revenue. The Company has included the effect of the 2012 Acquisitions in its results of operations prospectively from the date of each acquisition. The effect of the 2012 Acquisitions was not material to the Company's consolidated results for the periods presented, accordingly, pro forma financial disclosures have not been presented.

Identifiable intangible assets acquired in connection with the 2012 Acquisitions (in thousands) and their weighted-average lives are as follows:

	Podio	Asset Life	2012 Other Acquisitions	Asset Life
Customer relationships	$3,900	4.0 years	$2,100	3.0 years
Core and product technologies	20,700	5.0 years	23,303	4.5 years
Total	$24,600		$25,403	

2011 Acquisitions

Netviewer AG

In February 2011, the Company acquired all of the issued and outstanding securities of Netviewer AG (the “Netviewer Acquisition” or “Netviewer”), a privately-held European SaaS vendor in collaboration and IT services. Netviewer became part of the Company’s Online Services division and the acquisition enables the extension of its Online Services business in Europe. The total consideration for this transaction was approximately $107.5 million, net of $6.3 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $3.1 million, of which the Company expensed $0.4 million and $0.8 million during the three and six months ended June 30, 2011, respectively, and are included in General and administrative expense in the accompanying condensed consolidated statements of income. The Company recorded approximately $98.7 million of goodwill, which is not deductible for tax purposes, and acquired $28.8 million of identifiable intangible assets, of which $3.2 million is related to product related intangible assets and $25.6 million is related to other intangible assets. In addition, in connection with the acquisition, the Company assumed non-vested stock units, which were converted into the right to receive up to 99,100 shares of the Company's common stock, for which the vesting period reset fully upon the closing of the transaction.

Cloud.com

In July 2011, the Company acquired all of the issued and outstanding securities of Cloud.com, Inc. (the "Cloud.com Acquisition" or "Cloud.com"), a privately-held provider of software infrastructure platforms for cloud providers. Cloud.com became part of the Company’s Enterprise division and the acquisition further establishes the Company as a leader in infrastructure for the growing cloud provider market. The total consideration for this transaction was approximately $158.8 million, net of $5.6 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $2.9 million, of which the Company expensed $0.6 million during the three and six months ended June 30, 2011 and are included in General and administrative expense in the accompanying condensed consolidated statements of income. The Company recorded approximately $100.6 million of goodwill, which is not deductible for tax purposes, and acquired $89.0 million of identifiable intangible assets, of which $58.0 million is related to product related intangible assets and $31.0 million is related to other intangible assets. In addition, in connection with the acquisition, the Company assumed non-vested stock units which were converted into the right to receive up to 288,742 shares of the Company's common stock and assumed certain stock options which are exercisable for 183,780 shares of the Company's common stock, for which the vesting period reset fully upon the closing of the transaction.

ShareFile
In October 2011, the Company acquired all of the issued and outstanding securities of Novel Labs, Inc. (d/b/a "ShareFile"), a privately-held provider of secure data sharing and collaboration solutions. ShareFile initially became part of the Company's Enterprise division, and in the first quarter of 2012 it was transferred to the Company's Online Services division. The total consideration for this transaction was approximately $54.0 million, net of $1.7 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $0.7 million. The Company recorded approximately $49.4 million of goodwill, which is not deductible for tax purposes, and acquired $28.2 million of identifiable intangible assets, of which $16.0 million is related to product related intangible assets and $12.2 million is related to other intangible assets. There were no transaction costs associated with the acquisition during the three and six months ended June 30, 2011. In addition, in connection with the acquisition, the Company assumed non-vested stock units which were converted into the right to receive up to 180,697 shares of the Company's common stock and assumed certain stock options which are exercisable for 390,775 shares of the Company's common stock, for which the vesting period reset fully upon the closing of the transaction.
App-DNA
In November 2011, the Company acquired all of the issued and outstanding securities of App-DNA, a privately-held company that specializes in application migration and management. App-DNA became part of the Company's Enterprise division. The total consideration for this transaction was approximately $91.3 million, net of $3.2 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $1.3 million. The Company recorded approximately $58.2 million of goodwill, which is not deductible for tax purposes, and acquired $44.8 million of identifiable intangible assets, of which $36.7 million is related to product related intangible assets and $8.1 million is related to other intangible assets. There were no transaction costs associated with the acquisition during the three and six months ended June 30, 2011. In addition, in connection with the acquisition, the Company assumed non-vested stock units, which were converted into the right to receive up to 114,487 shares of the Company's common stock, for which the vesting period reset fully upon the closing of the transaction.
2011 Other Acquisitions
During the first quarter of 2011, the Company acquired certain assets of a wholly-owned subsidiary of a privately-held company (the "2011 Other Acquisition") for total cash consideration of approximately $10.5 million. The Company accounted for this acquisition as a business combination in accordance with the authoritative guidance and it became part of the Company's Enterprise division, thereby expanding the Company's solutions portfolio for service providers and developing integrations with the Company's cloud application delivery solutions.
In August 2011, the Company acquired all of the issued and outstanding securities of RingCube Technologies, Inc. (the "RingCube Acquisition" or "RingCube"), a privately-held company that specializes in user personalization technology for virtual desktops. RingCube became part of the Company's Enterprise division and the acquisition further solidifies the Company's position in desktop virtualization. The total consideration for this transaction was approximately $32.2 million, net of $0.5 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $0.6 million, of which the Company expensed $0.1 million during the three and six months ended June 30, 2011 and are included in General and administrative expense in the accompanying condensed consolidated statements of income. In addition, in connection with the RingCube acquisition, the Company assumed non-vested stock units which were converted into the right to receive up to 58,439 shares of the Company's common stock, for which the vesting period reset fully upon the closing of the transaction.
In connection with the 2011 Other Acquisition and the RingCube Acquisition, the Company recorded approximately $15.6 million of goodwill, which is not deductible for tax purposes, and acquired $30.6 million of identifiable intangible assets, of which $26.0 million is related to product related intangible assets and $4.6 million is related to other intangible assets.
The Company continues to evaluate certain tax assets and liabilities related to the acquisitions it completed during 2011. See Note 9 for more information regarding the Company's segments.

Purchase of Non-Controlling Interest

Kaviza Inc.

The Company presents non-controlling interests of less-than-wholly-owned subsidiaries within the equity section of its condensed consolidated financial statements in accordance with the authoritative guidance for the presentation and disclosure of non-controlling interests of consolidated subsidiaries. In May 2011, the Company acquired all of the non-controlling interest of Kaviza Inc. (“Kaviza”), a provider of virtual desktop infrastructure solutions, for $17.2 million. As a result of this transaction, the Company has obtained a 100% interest in this subsidiary. In accordance with the authoritative guidance, the excess of the proceeds paid over the carrying amount of the non-controlling interest of Kaviza has been reflected as a reduction of additional paid-in capital. In addition, in connection with the purchase of the non-controlling interest of Kaviza, the Company assumed non-vested stock units which were converted into the right to receive up to 88,687 shares of the Company's common stock and assumed certain stock options which are exercisable for 33,301 shares of the Company's common stock, which were assumed with existing vesting schedules.

Subsequent Events

In July 2012, the Company acquired all of the issued and outstanding securities of Bytemobile, Inc. (“Bytemobile”), a privately-held provider of data and video optimization solutions for mobile network operators. Bytemobile will become part of the Company's Enterprise division and expands the Company's business into the mobile telecommunications space. The total preliminary consideration for this transaction was approximately $401.7 million, net of $4.3 million of cash acquired, and was paid in cash. Transaction costs associated with the acquisition were approximately $2.2 million, all of which the Company expensed during the three and six months ended June 30, 2012 and are included in General and administrative expense in the accompanying condensed consolidated statements of income.

5. INVESTMENTS

Available-for-sale Investments

Investments in available-for-sale securities at fair value were as follows for the periods ended (in thousands):

	June 30, 2012				December 31, 2011		
Description of the Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses