

Cogent, Inc.
Form 10-Q
November 04, 2009
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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 SEPTEMBER 30, 2009

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

Commission file number 000-50947

COGENT, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

639 North Rosemead Blvd.

Pasadena, California
(Address of principal executive offices)

95-4305768
(I.R.S. Employer
Identification No.)

91107
(Zip Code)

Registrant's telephone number, including area code: (626) 325-9600

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 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 Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

As of November 2, 2009 there were 89,745,593 shares of the registrant's common stock outstanding.

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FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

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

(amounts in thousands, except share data)

(unaudited)

	December 31, 2008	September 30, 2009
ASSETS		
Current assets:		
Cash	\$ 34,862	\$ 37,555
Investments in marketable securities	277,434	258,205
Billed accounts receivable, net of allowance for doubtful accounts of \$660 and \$1,044 at December 31, 2008 and September 30, 2009, respectively	30,767	18,044
Unbilled accounts receivable	1,110	384
Inventory and contract related costs	12,715	18,725
Prepaid expenses and other current assets	3,251	2,742
Deferred income taxes	31,956	30,751
Total current assets	392,095	366,406
Investments in marketable securities	167,600	237,952
Inventory and contract related costs	5,813	1,077
Property and equipment, net	37,192	37,552
Deferred income taxes	9,112	8,932
Intangible and other assets	8,319	7,809
Total assets	\$ 620,131	\$ 659,728
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 4,629	\$ 5,527
Accrued expenses	11,574	10,140
Income taxes payable		10,989
Deferred revenues	59,438	39,317
Total current liabilities	75,641	65,973
Long-term liabilities		
Deferred revenues	15,540	36,903
Other liabilities	9,478	9,909
Total liabilities	100,659	112,785
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued or outstanding at December 31, 2008 and September 30, 2009, respectively		

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Common stock, \$0.001 par value; 245,000,000 shares authorized; 95,943,495 and 89,721,643 shares issued and outstanding at December 31, 2008 and September 30, 2009, respectively	120	120
Additional paid-in capital	433,843	372,813
Retained earnings	147,477	170,574
Accumulated other comprehensive income	1,278	3,436
Treasury stock, at cost; 6,379,077 and zero shares at December 31, 2008 and September 30, 2009, respectively	(63,246)	
Total stockholders' equity	519,472	546,943
Total liabilities and stockholders' equity	\$ 620,131	\$ 659,728

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**COGENT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share data)

(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2009	2008	2009
Revenues:				
Product revenues	\$ 24,656	\$ 19,042	\$ 59,454	\$ 61,180
Maintenance and services revenues	10,376	9,826	26,250	30,493
Total revenues	35,032	28,868	85,704	91,673
Cost of revenues:				
Cost of product revenues	6,006	9,636	16,605	22,916
Cost of maintenance and services revenues	4,490	3,870	10,784	11,863
Total cost of revenues	10,496	13,506	27,389	34,779
Gross profit	24,536	15,362	58,315	56,894
Operating expenses (income):				
Research and development	4,039	3,941	10,585	11,121
Selling and marketing	3,625	3,365	9,308	9,880
General and administrative	2,144	2,154	7,757	7,927
Income from settlement of lawsuit			(10,000)	
Total operating expenses	9,808	9,460	17,650	28,928
Operating income	14,728	5,902	40,665	27,966
Other income:				
Interest income	4,000	2,437	13,063	8,429
Other, net	376	117	174	317
Total other income	4,376	2,554	13,237	8,746
Income before income taxes	19,104	8,456	53,902	36,712
Income tax provision	7,070	2,796	20,230	13,615
Net income	\$ 12,034	\$ 5,660	\$ 33,672	\$ 23,097
Basic net income per share	\$ 0.13	\$ 0.06	\$ 0.37	\$ 0.26
Diluted net income per share	\$ 0.13	\$ 0.06	\$ 0.37	\$ 0.26
Shares used in computing basic net income per share	89,536	89,676	90,122	89,629
Shares used in computing diluted net income per share	90,403	90,632	91,169	90,567

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See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**COGENT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Nine months ended September 30,	
	2008	2009
Cash Flows from operating activities:		
Net income	\$ 33,672	\$ 23,097
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,103	2,484
Allowance for doubtful accounts	37	384
Share-based compensation	2,693	2,996
Excess tax benefit from share-based compensation	(3,835)	(176)
Amortization of bond (discount) premium on available for sale securities	(310)	6,016
Equity in earnings of investee	(78)	(182)
Deferred income taxes	(10,463)	(1,057)
Changes in assets and liabilities:		
Billed accounts receivable	(9,787)	12,341
Unbilled accounts receivable	217	726
Inventory and contract related costs	(11,317)	(1,274)
Prepaid expenses and other current assets	(314)	509
Other assets	(70)	103
Accounts payable	(149)	1,022
Accrued expenses	6,465	(1,429)
Other liabilities	7,123	431
Income taxes payable	7,902	11,164
Deferred revenues	45,024	1,242
Net cash provided by operating activities	68,913	58,397
Cash Flows from investing activities:		
Purchase of available-for-sale securities	(670,489)	(343,467)
Proceeds from maturities of available-for-sale securities	685,135	289,509
Purchase of equity investment	(3,000)	
Acquisition of Security Solutions Division	(4,927)	
Purchase of property and equipment	(3,571)	(2,285)
Net cash provided by (used in) investing activities	3,148	(56,243)
Cash Flows from financing activities:		
Payment of employment taxes related to release of nonvested share awards		(211)
Proceeds from the exercise of stock options	911	