

OPNET TECHNOLOGIES INC  
Form 10-Q  
February 09, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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

For the quarterly period ended December 31, 2004

OR

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

(Commission file number: 000-30931)

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**OPNET TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

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Delaware

7372

52-1483235

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(State or other jurisdiction of  
incorporation or organization)

(Primary Standard Industrial  
Classification Code Number)

(I.R.S. Employer  
Identification No.)

7255 Woodmont Avenue

Bethesda, MD 20814

(Address of principal executive office)

(240) 497-3000

(Registrant's telephone number, including area code)

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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 registrants were 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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.). Yes  No

The number of shares of the registrant's Common Stock outstanding on December 31, 2004 was 20,208,937.

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. Condensed Consolidated Financial Statements****OPNET TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except per share data)****(unaudited)**

	<b>December 31, 2004</b>	<b>March 31, 2004</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 43,029	\$ 41,492
Marketable securities	37,640	40,001
Accounts receivable, net of \$293 and \$349 in allowance for doubtful accounts at December 31 and March 31, 2004, respectively	13,900	10,044
Unbilled accounts receivable	2,189	2,559
Deferred income taxes, prepaid expenses and other current assets	2,503	1,772
	<u>          </u>	<u>          </u>
Total current assets	99,261	95,868
Property and equipment, net	6,051	6,410
Intangible assets, net	1,470	1,240
Goodwill	15,818	12,212
Deferred income taxes and other assets	620	952
	<u>          </u>	<u>          </u>
Total assets	\$ 123,220	\$ 116,682
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 564	\$ 934
Accrued liabilities	4,378	4,218
Deferred and accrued income taxes	99	173
Deferred revenue	15,775	12,918
	<u>          </u>	<u>          </u>
Total current liabilities	20,816	18,243
Notes payable	300	300
Deferred rent	1,101	994
Deferred revenue	982	774
	<u>          </u>	<u>          </u>
Total liabilities	23,199	20,311
	<u>          </u>	<u>          </u>
Commitments and contingencies (Note 9)		

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Stockholders' equity:

Preferred stock- par value \$0.001; 5,000 shares authorized, no shares issued and outstanding at December 31 and March 31, 2004		
Common stock-par value \$0.001; 100,000 authorized; 26,343 and 26,184 shares issued at December 31 and March 31, 2004, respectively	26	26
Additional paid-in capital	78,640	77,808
Deferred compensation		(21)
Retained earnings	25,365	22,661
Accumulated other comprehensive loss	90	(3)
Treasury stock, at cost - 6,134 shares at December 31 and March 31, 2004	(4,100)	(4,100)
	<hr/>	<hr/>
Total stockholders' equity	100,021	96,371
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 123,220	\$ 116,682
	<hr/>	<hr/>

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****OPNET TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

(unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2004	2003	2004	2003
<b>Revenues:</b>				
New software licenses	\$ 7,793	\$ 7,113	\$ 21,578	\$ 19,987
Software license updates and technical support	4,998	3,940	14,617	10,907
Professional services	3,272	3,379	10,869	9,244
<b>Total revenues</b>	<b>16,063</b>	<b>14,432</b>	<b>47,064</b>	<b>40,138</b>
<b>Cost of revenues:</b>				
New software licenses	202	126	578	614
Software license updates and technical support	597	445	1,734	1,188
Professional services	2,367	2,048	7,128	5,302
Amortization of acquired technology	192	125	460	375
<b>Total cost of revenues</b>	<b>3,358</b>	<b>2,744</b>	<b>9,900</b>	<b>7,479</b>
<b>Gross profit</b>	<b>12,705</b>	<b>11,688</b>	<b>37,164</b>	<b>32,659</b>
<b>Operating expenses:</b>				
Research and development	3,780	3,144	10,836	9,450
Sales and marketing	5,867	4,964	16,568	14,044
General and administrative	2,475	1,438	5,865	4,208
<b>Total operating expenses</b>	<b>12,122</b>	<b>9,546</b>	<b>33,269</b>	<b>27,702</b>
<b>Income from operations</b>	<b>583</b>	<b>2,142</b>	<b>3,895</b>	<b>4,957</b>
Interest and other income, net	326	135	787	436
<b>Income before provision for income taxes</b>	<b>909</b>	<b>2,277</b>	<b>4,682</b>	<b>5,393</b>
Provision for income taxes	740	658	1,979	1,666
<b>Net income</b>	<b>\$ 169</b>	<b>\$ 1,619</b>	<b>\$ 2,703</b>	<b>\$ 3,727</b>
<b>Basic net income per common share</b>	<b>\$ 0.01</b>	<b>\$ 0.08</b>	<b>\$ 0.13</b>	<b>\$ 0.19</b>
<b>Diluted net income per common share</b>	<b>\$ 0.01</b>	<b>\$ 0.08</b>	<b>\$ 0.13</b>	<b>\$ 0.18</b>

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Basic weighted average common shares outstanding	20,168	19,759	20,129	19,605
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Diluted weighted average common shares outstanding	20,758	20,906	20,626	20,489
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying notes to condensed consolidated financial statements.

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

	<b>Nine Months Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,703	\$ 3,727
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	1,640	1,568
Provision for losses on accounts receivable		72
Deferred income taxes	451	(358)
Expense related to employee and other stock options	2	158
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(3,486)	(1,680)
Prepaid expenses and other current assets	(618)	(827)
Other assets	(240)	(98)
Accounts payable	(370)	(104)
Accrued liabilities	(724)	960
Accrued income taxes	25	(82)
Tax benefit from exercise of stock options		957
Deferred revenue	2,982	2,145
Deferred rent	107	281
<b>Net cash provided by operating activities</b>	<b>2,472</b>	<b>6,719</b>
<b>Cash flows from investing activities:</b>		
Acquisition of businesses	(3,431)	
Purchase of property and equipment	(810)	(610)
Purchase of investments	(40,759)	(60,622)
Proceeds from sale/maturity of investments	43,120	16,000
Acquired technology		(179)
<b>Net cash used in investing activities</b>	<b>(1,880)</b>	<b>(45,411)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of common stock options	487	2,062
Proceeds from issuance of common stock under employee stock purchase plan	364	312
<b>Net cash provided by financing activities</b>	<b>851</b>	<b>2,374</b>