Synopsys Posts Financial Results for First Quarter Fiscal Year 2009

MOUNTAIN VIEW, Calif., Feb. 18 /PRNewswire-FirstCall/ -- Synopsys, Inc. , a world leader in software and IP for semiconductor design and manufacturing, today reported results for its first quarter ended January 31, 2009.

For the first quarter of fiscal 2009, Synopsys reported revenue of $339.8 million, a 7.7 percent increase compared to $315.5 million for the first quarter of fiscal 2008.

"Synopsys' first quarter was characterized by solid financial performance, continued technology momentum and visible customer success," said Aart de Geus, chairman and CEO of Synopsys. "While the recession has clearly deepened and we have seen signs of customer stress, we believe that Synopsys is well positioned to help our customers weather the storm, and to emerge an even stronger company as a result."

GAAP Results

On a generally accepted accounting principles (GAAP) basis, net income for the first quarter of fiscal 2009 was $52.4 million, or $0.37 per share, compared to $46.4 million, or $0.31 per share, for the first quarter of fiscal 2008.

Non-GAAP Results

On a non-GAAP basis, net income for the first quarter of fiscal 2009 was $71.6 million, or $0.50 per share, compared to non-GAAP net income of $66.0 million, or $0.44 per share, for the first quarter of fiscal 2008.

Reconciliation between GAAP and non-GAAP results is provided at the end of this press release.

Financial Targets

Synopsys also provided its financial targets for the second quarter and full fiscal year 2009. These targets constitute forward-looking information and are based on current expectations. For a discussion of factors that could cause actual results to differ materially from these targets, see "Forward- Looking Statements" below.

Second Quarter of Fiscal Year 2009 Targets:
* Revenue: $332 million - $340 million
* GAAP expenses: $280.5 million - $296 million
* Non-GAAP expenses: $257 million - $267 million
* Other income and expense: $0 - $3 million
* Tax rate applied in non-GAAP net income calculations: approximately 27 percent
* Fully diluted outstanding shares: 142 million - 147 million
* GAAP earnings per share: $0.25 - $0.30
* Non-GAAP earnings per share: $0.39 - $0.41
* Revenue from backlog: greater than 90 percent

Full-Year Fiscal Year 2009 Targets:
* Revenue: approximately $1.37 billion - $1.40 billion
* Other income and expense: $6 million - $10 million
* Tax rate applied in non-GAAP net income calculations: approximately 27 percent
* Fully diluted outstanding shares: 144 million - 149 million
* GAAP earnings per share: $1.11 - $1.27
* Non-GAAP earnings per share: $1.60 - $1.72
* Cash flow from operations: $200 million - $220 million

GAAP Reconciliation

Synopsys continues to provide all information required in accordance with GAAP, but believes evaluating its ongoing operating results may not be as useful if an investor is limited to reviewing only GAAP financial measures. Accordingly, Synopsys presents non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Synopsys' operating results in a manner that focuses on what Synopsys believes to be its ongoing business operations and what Synopsys uses to evaluate its ongoing operations and for internal planning and forecasting purposes. Synopsys' management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation

from, or as a substitute for, financial information prepared in accordance with GAAP. Synopsys' management believes it is useful for itself and investors to review, as applicable, both GAAP information that includes: (i) share-based compensation; (ii) the amortization of acquired intangible assets and in- process research and development charges; and (iii) the income tax effect of the non-GAAP pre-tax adjustments from the provision for income taxes; and the non-GAAP measures that exclude such information in order to assess the performance of Synopsys' business and for planning and forecasting in subsequent periods. Whenever Synopsys uses such a non-GAAP financial measure, it provides a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure as detailed below.

Reconciliation of First Quarter Fiscal Year 2009 Results

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP net income and earnings per share for the periods indicated below.

GAAP to Non-GAAP Reconciliation of First Quarter Results
(Unaudited and in thousands, except per share amounts)

	Three Months Ended January 31,	
	2009	2008
GAAP net income	$52,429	$46,445
Adjustments:		
Amortization of intangible assets	11,808	11,624
Share-based compensation	14,143	15,644
In-process research and development	600	-
Tax effect	(7,384)	(7,697)
Non-GAAP net income	$71,596	$66,016

	Three Months Ended January 31,	
	2009	2008
GAAP earnings per share	$0.37	$0.31
Adjustments:		
Amortization of intangible assets	0.08	0.08
Share-based compensation	0.09	0.10
In-process research and development	0.01	-
Tax effect	(0.05)	(0.05)
Non-GAAP earnings per share	$0.50	$0.44
Shares used in calculation	142,612	150,683

Reconciliation of Target Operating Results

The following tables reconcile the specific items excluded from GAAP in the calculation of target non-GAAP operating results for the periods indicated below:

GAAP to Non-GAAP Reconciliation of Second Quarter Fiscal Year 2009 Targets
(in thousands, except per share amounts)

	Range for Three Months Ending April 30, 2009	
	Low	High
Target GAAP expenses	$280,500	$296,000
Adjustment:		
Estimated impact of amortization of intangible assets	(10,500)	(14,000)
Estimated impact of share-based compensation	(13,000)	(15,000)
Target non-GAAP expenses	$257,000	$267,000

	Range for Three Months Ending April 30, 2009	
	Low	High

Target GAAP earnings per share	$0.25	$0.30
Adjustment:		
Estimated impact of amortization of intangible assets	0.10	0.07
Estimated impact of share-based compensation	0.10	0.09
Net non-GAAP tax effect	(0.06)	(0.05)
Target non-GAAP earnings per share	$0.39	$0.41
Shares used in non-GAAP calculation (midpoint of target range)	144,500	144,500

GAAP to Non-GAAP Reconciliation of Fiscal Year 2009 Targets

	Range for Fiscal Year Ending October 31, 2009	
	Low	High
Target GAAP earnings per share	$1.11	$1.27
Adjustment:		
Estimated impact of amortization of intangible assets	0.33	0.29
Estimated impact of share-based compensation	0.38	0.37
Net non-GAAP tax effect	(0.22)	(0.21)
Target non-GAAP earnings per share	$1.60	$1.72
Shares used in non-GAAP calculation (midpoint of target range)	146,500	146,500

Earnings Call Open to Investors

Synopsys will hold a conference call for financial analysts and investors today at 2:00 p.m., Pacific Time. A live webcast of the call will be available at Synopsys' corporate website at https://www.synopsys.com/. A recording of the call will be available by calling +1-800-475-6701 (+1-320-365-3844 for international callers), access code 985197, beginning at 5:30 p.m. Pacific Time today. A webcast replay will also be available on the website from approximately 5:30 p.m. Pacific Time today through the time Synopsys announces its results for the second quarter fiscal 2009 in May 2009. Synopsys will post copies of the prepared remarks of Aart de Geus, chairman and chief executive officer, and Brian Beattie, chief financial officer, on its website following the call. In addition, Synopsys makes additional financial information available in a financial supplement also posted on the corporate website.

Effectiveness of Information

The targets included in this release, the statements made during the earnings conference call and the information contained in the financial supplement (available in the Investor Relations section of Synopsys' website at https://www.synopsys.com) represent Synopsys' expectations and beliefs as of the date of this release only. Although this press release, copies of the prepared remarks of the chief executive officer and chief financial officer made during the call and the financial supplement will remain available on Synopsys' website through the date of the second quarter earnings call in May 2009, their continued availability through such date does not mean that Synopsys is reaffirming or confirming their continued validity. Synopsys does not currently intend to report on its progress during the second quarter of fiscal 2009 or comment to analysts or investors on, or otherwise update, the targets given in this earnings release.

Availability of Final Financial Statements

Synopsys will include final financial statements for the first quarter in its Quarterly Report on Form 10-Q to be filed by March 12, 2009.

About Synopsys

Synopsys, Inc. is the world leader in electronic design automation (EDA), supplying the global electronics market with the software, intellectual property (IP) and services used in semiconductor design and manufacturing. Synopsys' comprehensive, integrated portfolio of implementation, verification, IP, manufacturing and field-programmable gate array (FPGA) solutions helps address the key challenges designers and manufacturers face today, such as power and yield management, software-to-silicon verification and time-to-results. These technology-leading solutions help give Synopsys customers a competitive edge in bringing the best products to market quickly while reducing costs and schedule risk. Synopsys is headquartered in Mountain View, California, and has more than 60 offices located throughout North America, Europe, Japan, Asia and India. Visit Synopsys online at https://www.synopsys.com/.

Forward-Looking Statements

The statements made in this press release regarding projected financial results in the sections entitled "Financial Targets," and "Reconciliation of Target Operating Results" and certain statements made in the earnings conference call are forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those described by these statements due to a number of uncertainties, including, but not limited to:

* continued downturn and uncertainty in the global economy in general, and weakness in the semiconductor and electronics industries;
* failure of customers to pay license fees as scheduled;
* lower-than-expected research and development spending by semiconductor and electronic systems companies;
* competition in the market for Synopsys' products and services;
* lower-than-anticipated new IC design starts;
* lower-than-anticipated purchases or delays in purchases of software or consulting services by Synopsys' customers, including delays in the renewal, or non-renewal, of Synopsys' license arrangements with major customers;
* changes in the mix of time-based licenses and upfront licenses;
* lower-than-expected orders; and
* difficulties in the integration of the products and operations of acquired companies or assets into Synopsys' products and operations.

In addition, Synopsys' actual expenses, earnings per share and tax rate on a GAAP and non-GAAP basis for the fiscal quarter ending April 30, 2009 and actual expenses, earnings per share, tax rate, cash flow from operations and other projections on a GAAP and non-GAAP basis for fiscal year 2009 could differ materially from the targets stated under "Financial Targets" above for a number of reasons, including, but not limited to, (i) a determination by Synopsys that any portion of its goodwill or intangible assets have become impaired, (ii) application of the actual consolidated GAAP and non-GAAP tax rates for such periods, or judgment by management, based upon the status of pending audits to increase or decrease an income tax asset or liability, (iii) integration and other acquisition-related expenses including amortization of intangible assets associated with future acquisitions, if any, (iv) changes in the anticipated amount of employee share-based compensation expense recognized on Synopsys' financial statements, (v) actual change in the fair value of Synopsys' non-qualified deferred compensation plan obligations, (vi) increases or decreases to estimated capital expenditures, (vii) changes driven by new accounting rules, regulations, interpretations or pronouncements, (viii) general economic conditions, and (ix) other risks as detailed in our SEC filings, including those described in the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008. Furthermore, Synopsys' actual tax rates applied to income for the second quarter and fiscal year 2009 could differ from the targets given in this press release as a result of a number of factors, including the actual geographic mix of revenue during the quarter and year, and actions by the government. Finally, Synopsys' targets for outstanding shares in the second quarter and fiscal year 2009 could differ from the targets given in this press release as a result of higher than expected employee stock plan issuances or stock option exercises, acquisitions and the extent of Synopsys' stock repurchase activity.

Synopsys is under no obligation to (and expressly disclaims any such obligation to) update or alter any of the forward-looking statements made in this earnings release, the conference call or the financial supplement whether as a result of new information, future events or otherwise, unless otherwise required by law.

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SYNOPSYS, INC.
Unaudited Consolidated Statements of Operations (1)
(in thousands, except per share amounts)

	Three Months Ended January 31,	
	2009	2008
Revenue:		
Time-based license	$285,052	$267,860

Upfront license	18,327	12,521
Maintenance and service	36,376	35,084
Total revenue	339,755	315,465
Cost of revenue:		
License	41,823	40,398
Maintenance and service	15,579	15,879
Amortization of intangible assets	8,022	5,033
Total cost of revenue	65,424	61,310
Gross margin	274,331	254,155
Operating expenses:		
Research and development	97,807	92,514
Sales and marketing	77,384	77,370
General and administrative	27,182	23,841
In-process research and development	600	-
Amortization of intangible assets	3,786	6,591
Total operating expenses	206,759	200,316
Operating income	67,572	53,839
Other income, net	2,099	6,330
Income before income taxes	69,671	60,169
Provision for income taxes	17,242	13,724
Net income	$52,429	$46,445
Net income per share:		
Basic	$0.37	$0.32
Diluted	$0.37	$0.31
Shares used in computing per share amounts:		
Basic	141,865	146,001
Diluted	142,612	150,683

(1) Synopsys' first quarter ended on the Saturday nearest January 31. For presentation purposes, the Unaudited Consolidated Statements of Operations refer to a calendar month end.

SYNOPSYS, INC.
Unaudited Consolidated Balance Sheets (1)
(in thousands, except par value amounts)

	January 31, 2009	October 31, 2008
ASSETS:		
Current assets:		
Cash and cash equivalents	$470,165	$577,632
Short-term investments	372,116	373,669
Total cash, cash equivalents and short-term investments	842,281	951,301
Accounts receivable, net	150,083	147,365
Deferred income taxes	136,533	133,609
Income taxes receivable	49,534	49,859
Other current assets	42,936	40,156
Total current assets	1,221,367	1,322,290
Property and equipment, net	141,152	145,087
Goodwill	917,794	899,640
Intangible assets, net	109,870	114,760
Long-term deferred income taxes	168,070	177,386
Other long-term assets	78,405	83,315
Total assets	$2,636,658	$2,742,478
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable and accrued liabilities	$182,608	$289,769
Accrued income taxes	9,395	14,496
Deferred revenue	547,343	604,718
Total current liabilities	739,346	908,983
Long-term accrued income taxes	154,679	152,745
Deferred compensation and other liabilities	76,882	76,970
Long-term deferred revenue	61,636	75,409
Total liabilities	1,032,543	1,214,107
Stockholders' equity:		
Preferred stock, $0.01 par value: 2,000 shares authorized; none outstanding	-	-
Common stock, $0.01 par value: 400,000 shares authorized; 142,010 and 141,786		

shares outstanding, respectively	1,420	1,418
Capital in excess of par value	1,482,555	1,471,031
Retained earnings	485,175	434,057
Treasury stock, at cost: 15,261 and 15,485 shares, respectively	(337,892)	(342,856)
Accumulated other comprehensive income (loss)	(27,143)	(35,279)
Total stockholders' equity	1,604,115	1,528,371
Total liabilities and stockholders' equity	$2,636,658	$2,742,478

(1) Synopsys' first and fourth quarter ended on the Saturday nearest January 31 and October 31, respectively. For presentation purposes, the Unaudited Consolidated Balance Sheets refer to a calendar month end.

SYNOPSYS, INC.
Unaudited Consolidated Statements of Cash Flows (1)
(in thousands)

	Three Months Ended January 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$52,429	$46,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	25,418	25,333
Share-based compensation	14,143	15,644
Allowance for doubtful accounts	1,490	-
Write-down of long-term investments	2,960	-
(Gain) loss on sale of investments	(172)	200
Deferred income taxes	8,340	(1,858)
Net change in deferred gains and losses on cash flow hedges	3,648	2,104
In-process research and development	600	-
Net changes in operating assets and liabilities, net of acquired assets and liabilities:		
Accounts receivable	(2,911)	(17,077)
Other current assets	(2,009)	(1,185)
Other long-term assets	407	(488)
Accounts payable and accrued liabilities	(101,970)	(81,102)
Accrued income taxes	(5,771)	2,754
Deferred revenue	(79,456)	(42,969)
Deferred compensation and other liabilities	928	1,018
Net cash used in operating activities	(81,926)	(51,181)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of short-term investments	64,047	150,523
Purchases of short-term investments	(60,059)	(173,675)
Purchases of long-term investments	-	(1,500)
Purchases of property and equipment	(8,258)	(9,726)
Cash paid for acquisitions and intangible assets	(27,333)	-
Capitalization of software development costs	(720)	(704)
Net cash used in investing activities	(32,323)	(35,082)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital leases	(492)	-
Issuances of common stock	1,152	12,097
Purchases of treasury stock	-	(82,865)
Net cash provided by (used in) financing activities	660	(70,768)
Effect of exchange rate changes on cash and cash equivalents	6,122	5,759
Net change in cash and cash equivalents	(107,467)	(151,272)
Cash and cash equivalents, beginning of period	577,632	579,327
Cash and cash equivalents, end of period	$470,165	$428,055

(1) Synopsys' first quarter ended on the Saturday nearest January 31.

For presentation purposes, the Unaudited Consolidated Statements of Cash Flows refer to a calendar month end.

SOURCE: Synopsys, Inc.

Web site: https://www.synopsys.com/