

MANUGISTICS GROUP INC
Form 8-K
June 30, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported), **June 30, 2005**

MANUGISTICS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-22154

(Commission File Number No.)

52-1469385

(IRS Employer Identification No.)

**9715 Key West Avenue
Rockville, Maryland 20850**

(Address of principal executive offices)

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Registrant's telephone number, including area code:

(301) 255-5000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02 Results of Operations and Financial Condition.

On June 30, 2005, the Company announced via press release the Company's results for its first quarter ended May 31, 2005. A copy of the Company's press release is attached hereto as Exhibit 99.1. The information contained in Item 2.02 of this Form 8-K and the attached exhibit are furnished to, but not filed with, the Securities and Exchange Commission. The information contained in this Item 2.02 and in the accompanying exhibit shall not be incorporated by reference to any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference to such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANUGISTICS GROUP, INC.

(Registrant)

Dated: June 30, 2005

By

/s/ Raghavan Rajaji
Raghavan Rajaji
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|-----------------------------------|
| 99.1 | Press release dated June 30, 2005 |

MANUGISTICS GROUP, INC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - GAAP (1)

(in thousands, except per share data)

| | Three Months Ended May 31, (Unaudited) | |
|---|--|------------|
| | 2005 | 2004 |
| REVENUE: | | |
| Software | \$ 8,391 | \$ 10,368 |
| Support | 21,815 | 21,421 |
| Services | 14,681 | 17,558 |
| Reimbursed expenses | 1,770 | 2,236 |
| Total revenue | 46,657 | 51,583 |
| OPERATING EXPENSES: | | |
| Cost of Revenue: | | |
| Cost of software | 4,468 | 3,914 |
| Amortization of acquired technology | 1,991 | 3,546 |
| Cost of services and support | 15,388 | 18,190 |
| Cost of reimbursed expenses | 1,770 | 2,236 |
| Sales and marketing | 11,208 | 15,240 |
| Product development | 7,498 | 8,328 |
| General and administrative | 5,268 | 6,014 |
| Amortization of intangibles | 1,663 | 1,662 |
| Exit and disposal activities | 427 | (2,517) |
| Non-cash stock option compensation charge | | 120 |
| Total operating expenses | 49,681 | 56,733 |
| OPERATING LOSS | (3,024) | (5,150) |
| OTHER EXPENSE, NET | (1,496) | (2,262) |
| LOSS BEFORE INCOME TAXES | (4,520) | (7,412) |
| PROVISION FOR INCOME TAXES | 396 | 321 |
| NET LOSS | \$ (4,916) | \$ (7,733) |
| BASIC AND DILUTED LOSS PER SHARE | \$ (0.06) | \$ (0.09) |
| SHARES USED IN BASIC AND DILUTED LOSS PER SHARE CALCULATION | 82,109 | 81,819 |

(1) GAAP = Generally Accepted Accounting Principles

MANUGISTICS GROUP, INC AND SUBSIDIARIES

ADJUSTED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - NON - GAAP (1)

(in thousands, except per share data)

| | Three Months Ended May 31, (Unaudited) | |
|---|--|------------|
| | 2005 | 2004 |
| REVENUE: | | |
| Software | \$ 8,391 | \$ 10,368 |
| Support | 21,815 | 21,421 |
| Services | 14,681 | 17,558 |
| Reimbursed expenses | 1,770 | 2,236 |
| Total revenue | 46,657 | 51,583 |
| OPERATING EXPENSES: | | |
| Cost of Revenue: | | |
| Cost of software | 4,468 | 3,914 |
| Cost of services and support | 15,388 | 18,190 |
| Cost of reimbursed expenses | 1,770 | 2,236 |
| Sales and marketing | 11,208 | 15,240 |
| Product development | 7,498 | 8,328 |
| General and administrative | 5,268 | 6,014 |
| Total operating expenses | 45,600 | 53,922 |
| ADJUSTED OPERATING INCOME (LOSS) | 1,057 | (2,339) |
| OTHER EXPENSE, NET | (1,496) | (2,262) |
| ADJUSTED LOSS BEFORE INCOME TAXES | (439) | (4,601) |
| PROVISION FOR INCOME TAXES | 396 | 321 |
| ADJUSTED NET LOSS | \$ (835) | \$ (4,922) |
| BASIC AND DILUTED ADJUSTED LOSS PER SHARE | \$ (0.01) | \$ (0.06) |
| SHARES USED IN BASIC AND DILUTED ADJUSTED LOSS PER SHARE CALCULATION | 82,109 | 81,819 |

(1) The adjusted condensed consolidated statements of operations is a non-GAAP presentation of the Company's financial performance that is intended to enhance the understanding of the results of operations. Please see the reconciliation to GAAP results that also accompanies this press release.

MANUGISTICS GROUP, INC AND SUBSIDIARIES

RECONCILIATION OF GAAP TO ADJUSTED CONDENSED CONSOLIDATED

STATEMENTS OF OPERATIONS

THREE MONTHS ENDED MAY 31, 2005

(in thousands, except per share data)

(Unaudited)

| | GAAP | Adjustments | Adjusted (1) |
|--|------------|-------------|--------------|
| REVENUE: | | | |
| Software | \$ 8,391 | \$ | \$ 8,391 |
| Support | 21,815 | | 21,815 |
| Services | 14,681 | | 14,681 |
| Reimbursed expenses | 1,770 | | 1,770 |
| Total revenue | 46,657 | | 46,657 |
| OPERATING EXPENSES: | | | |
| Cost of Revenue: | | | |
| Cost of software | 4,468 | | 4,468 |
| Amortization of acquired technology | 1,991 | (1,991)(a) | |
| Cost of services and support | 15,388 | | 15,388 |
| Cost of reimbursed expenses | 1,770 | | 1,770 |
| Sales and marketing | 11,208 | | 11,208 |
| Product development | 7,498 | | 7,498 |
| General and administrative | 5,268 | | 5,268 |
| Amortization of intangibles | 1,663 | (1,663)(a) | |
| Exit and disposal activities | 427 | (427)(b) | |
| Total operating expenses | 49,681 | (4,081) | 45,600 |
| OPERATING (LOSS) INCOME | (3,024) | 4,081 | 1,057 |
| OTHER EXPENSE, NET | (1,496) | | (1,496) |
| LOSS BEFORE INCOME TAXES | (4,520) | 4,081 | (439) |
| PROVISION FOR INCOME TAXES | 396 | | 396 |
| NET LOSS | \$ (4,916) | \$ 4,081 | \$ (835) |
| BASIC AND DILUTED LOSS PER SHARE | \$ (0.06) | | \$ (0.01) |
| SHARES USED IN BASIC AND DILUTED LOSS PER SHARE CALCULATION | | | |
| | 82,109 | | 82,109 |

MANUGISTICS GROUP, INC AND SUBSIDIARIES

RECONCILIATION OF GAAP TO ADJUSTED CONDENSED CONSOLIDATED

STATEMENTS OF OPERATIONS

THREE MONTHS ENDED MAY 31, 2004

(in thousands, except per share data)

(Unaudited)

| | GAAP | Adjustments | Adjusted (1) |
|---|------------|-------------|--------------|
| REVENUE: | | | |
| Software | \$ 10,368 | \$ | \$ 10,368 |
| Support | 21,421 | | 21,421 |
| Services | 17,558 | | 17,558 |
| Reimbursed expenses | 2,236 | | 2,236 |
| Total revenue | 51,583 | | 51,583 |
| OPERATING EXPENSES: | | | |
| Cost of Revenue: | | | |
| Cost of software | 3,914 | | 3,914 |
| Amortization of acquired technology | 3,546 | (3,546)(a) | |
| Cost of services and support | 18,190 | | 18,190 |
| Cost of reimbursed expenses | 2,236 | | 2,236 |
| Sales and marketing | 15,240 | | 15,240 |
| Product development | 8,328 | | 8,328 |
| General and administrative | 6,014 | | 6,014 |
| Amortization of intangibles | 1,662 | (1,662)(a) | |
| Exit and disposal activities | (2,517) | 2,517(b) | |
| Non-cash stock option compensation charge | 120 | (120)(c) | |
| Total operating expenses | 56,733 | (2,811) | 53,922 |
| OPERATING LOSS | (5,150) | 2,811 | (2,339) |
| OTHER EXPENSE, NET | (2,262) | | (2,262) |
| LOSS BEFORE INCOME TAXES | (7,412) | 2,811 | (4,601) |
| PROVISION FOR INCOME TAXES | 321 | | 321 |
| NET LOSS | \$ (7,733) | \$ 2,811 | \$ (4,922) |
| BASIC AND DILUTED LOSS PER SHARE | \$ (0.09) | | \$ (0.06) |
| SHARES USED IN BASIC AND DILUTED LOSS PER SHARE CALCULATION | 81,819 | | 81,819 |

(1) The adjusted financial information provided is a non-GAAP measure of the Company's financial performance that is intended to enhance the understanding of the results of operations.

Footnotes:

(a) Amortization of intangibles and acquired technology related to acquisitions.

- (b) Exit and disposal activities.
- (c) Non-cash stock option compensation charge.

MANUGISTICS GROUP, INC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

| | May 31, 2005 (unaudited) | February 28, 2005 (unaudited) | May 31, 2004 (unaudited) |
|---|--------------------------------|-------------------------------------|--------------------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 75,579 | \$ 80,342 | \$ 106,939 |
| Marketable securities | 54,758 | 49,636 | 19,798 |
| Total cash, cash equivalents and marketable securities | 130,337 | 129,978 | 126,737 |
| Accounts receivable, net | 41,587 | 45,659 | 46,547 |
| Other current assets | 10,844 | 10,890 | 13,260 |
| Total current assets | 182,768 | 186,527 | 186,544 |
| NONCURRENT ASSETS: | | | |
| Property and equipment, net | 14,999 | 15,795 | 22,482 |
| Software development costs, net | 12,747 | 14,390 | 14,060 |
| Goodwill | 185,631 | 185,658 | 185,479 |
| Intangible and other assets, net | 27,786 | 31,999 | 48,127 |
| Long-term investments | 2,960 | 5,911 | 22,000 |
| TOTAL | \$ 426,891 | \$ 440,280 | \$ 478,692 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 6,415 | \$ 7,117 | \$ 10,990 |
| Accrued liabilities | 26,293 | 30,704 | 26,806 |
| Deferred revenue | 42,038 | 43,173 | 41,792 |
| Total current liabilities | 74,746 | 80,994 | 79,588 |
| NONCURRENT LIABILITIES: | | | |
| Convertible debt | 175,500 | 175,500 | 175,500 |
| Long-term debt and capital leases | 1,505 | 1,668 | 2,725 |
| Other | 15,861 | 17,372 | 11,849 |
| STOCKHOLDERS' EQUITY | 159,279 | 164,746 | 209,030 |
| TOTAL | \$ 426,891 | \$ 440,280 | \$ 478,692 |
| SUPPLEMENTAL BALANCE SHEET INFORMATION: | | | |
| Total cash, cash equivalents, marketable securities and long-term investments | \$ 133,297 | \$ 135,889 | \$ 148,737 |

MANUGISTICS GROUP, INC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

| | Three Months Ended May 31, (Unaudited) | |
|---|--|-------------------|
| | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (4,916) | \$ (7,733) |
| Non-cash items | 9,700 | 8,033 |
| Changes in assets and liabilities | (4,193) | (1,314) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 591 | (1,014) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (433) | (2,064) |
| Capitalization/purchases of software | (1,056) | (2,570) |
| (Purchases) sales of marketable securities, net | (2,300) | 28,943 |
| Purchases of long-term investments, net | | (13,001) |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES | (3,789) | 11,308 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments - long-term debt, net | (812) | (628) |
| Proceeds from exercise of stock options and employee stock plan purchases | 123 | 459 |
| NET CASH USED IN FINANCING ACTIVITIES | (689) | (169) |
| EFFECTS OF EXCHANGE RATES ON CASH BALANCES | (876) | (745) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (4,763) | 9,380 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 80,342 | 97,559 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 75,579 | \$ 106,939 |

MANUGISTICS GROUP, INC AND SUBSIDIARIES

SELECTED STATISTICAL INFORMATION

(in thousands, except DSO)

| | Three Months Ended May 31, (Unaudited) | |
|---|---|-------------|
| | 2005 | 2004 |
| Days sales outstanding (DSO) - accounts receivable, net | 80 | 81 |
| Product development costs, as reported | \$ 7,498 | \$ 8,328 |
| Capitalized software development costs | 996 | 2,519 |
| Gross product development costs | \$ 8,494 | \$ 10,847 |
| Gross product development costs - % of revenue | 18.2% | 21.0% |
| Capitalized software development costs | \$ 996 | \$ 2,519 |
| Amortization of capitalized software development costs | (2,638) | (2,683) |
| Net | \$ (1,642) | \$ (164) |