

CITRIX SYSTEMS INC
Form 10-Q
May 07, 2012

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

or

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 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 (§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). 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 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As of May 1, 2012 there were 186,190,533 shares of the registrant's Common Stock, \$.001 par value per share, outstanding.

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CITRIX SYSTEMS, INC.
 Form 10-Q
 For the Quarterly Period Ended March 31, 2012
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PART I: FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CITRIX SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2012	December 31, 2011
	(In thousands, except par value)	
Assets		
Current assets:		
Cash and cash equivalents	\$390,881	\$333,296
Short-term investments — available-for-sale	476,200	406,461
Accounts receivable, net of allowances of \$4,439 and \$3,925 at March 31, 2012 and December 31, 2011, respectively	389,807	484,431
Inventories, net	9,430	8,507
Prepaid expenses and other current assets	112,115	95,419
Current portion of deferred tax assets, net	45,296	44,916
Total current assets	1,423,729	1,373,030
Long-term investments — available-for-sale	741,619	737,844
Property and equipment, net	278,671	277,429
Goodwill	1,266,408	1,239,120
Other intangible assets, net	327,456	343,372
Long-term portion of deferred tax assets, net	51,963	67,479
Other assets	61,272	61,267
	\$4,151,118	\$4,099,541
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$53,939	\$58,034
Accrued expenses and other current liabilities	295,874	302,454
Current portion of deferred revenues	822,048	818,642
Total current liabilities	1,171,861	1,179,130
Long-term portion of deferred revenues	160,836	141,241
Other liabilities	40,888	48,680
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; 284,393 and 282,774 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	284	283
Additional paid-in capital	3,470,787	3,385,053
Retained earnings	2,279,738	2,211,471
Accumulated other comprehensive loss	(4,421)	(11,561)
	5,746,388	5,585,246
Less — common stock in treasury, at cost (98,522 and 96,960 shares at March 31, 2012 and December 31, 2011, respectively)	(2,968,855)	(2,854,756)
Total stockholders' equity	2,777,533	2,730,490
	\$4,151,118	\$4,099,541

See accompanying notes.

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

	Three Months Ended March 31, 2012 2011	
	(In thousands, except per share information)	
Revenues:		
Product and licenses	\$ 178,364	\$ 150,260
Software as a service	120,733	99,772
License updates and maintenance	264,525	221,379
Professional services	25,873	19,477
Total net revenues	589,495	490,888
Cost of net revenues:		
Cost of product and license revenues	18,804	14,041
Cost of services and maintenance revenues	51,004	33,237
Amortization of product related intangible assets	16,535	12,699
Total cost of net revenues	86,343	59,977
Gross margin	503,152	430,911
Operating expenses:		
Research and development	103,622	90,548
Sales, marketing and services	248,457	205,544
General and administrative	59,856	50,403
Amortization of other intangible assets	10,467	3,509
Restructuring	—	24
Total operating expenses	422,402	350,028
Income from operations	80,750	80,883
Interest income	3,078	3,939
Other income, net	722	3,633
Income before income taxes	84,550	88,455
Income taxes	16,283	15,108
Consolidated net income	68,267	73,347
Less: Net loss attributable to non-controlling interest	—	156
Net income attributable to Citrix Systems, Inc.	\$ 68,267	\$ 73,503
Net income per share attributable to Citrix Systems, Inc. stockholders:		
Net income per share attributable to Citrix Systems, Inc. stockholders — basic	\$ 0.37	\$ 0.39
Net income per share attributable to Citrix Systems, Inc. stockholders — diluted	\$ 0.36	\$ 0.38
Weighted average shares outstanding:		
Basic	185,730	187,571
Diluted	188,884	191,500
See accompanying notes.		

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

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Consolidated net income	\$68,267	\$73,347
Other comprehensive income:		
Change in foreign currency translation adjustment	1,952	5,433
Available for sale securities:		
Change in net unrealized gains	1,434	151
Less: reclassification adjustment for net losses included in net income	193	490
Net change (net of tax effect)	1,627	641
Cash flow hedges:		
Change in unrealized gains	2,034	2,217
Less: reclassification adjustment for net losses included in net income	1,527	620
Net change (net of tax effect)	3,561	2,837
Other comprehensive income	7,140	8,911
Comprehensive income	75,407	82,258
Less: Comprehensive loss attributable to non-controlling interest	—	156
Comprehensive income attributable to Citrix Systems, Inc.	\$75,407	\$82,414
See accompanying notes.		

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

	Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Operating Activities		
Net income	\$68,267	\$73,347
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	27,002	16,208
Depreciation and amortization of property and equipment	22,545	19,641
Stock-based compensation expense	30,557	17,884
(Gain) Loss on investments	(3,366	) 490
Provision for doubtful accounts	546	(901
Provision for product returns	2,945	1,530
Provision for inventory reserves	411	517
Tax effect of stock-based compensation	13,856	15,492
Excess tax benefit from exercise of stock options	(14,597	) (15,502
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(1,202	) (3,350
Other non-cash items	791	964
Total adjustments to reconcile net income to net cash provided by operating activities	79,488	52,973
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	88,114	85,622
Inventories	(1,334	) (1,050
Prepaid expenses and other current assets	(18,682	) (6,009
Other assets	2,536	(1,293
Deferred tax assets, net	15,293	(14,196
Accounts payable	(4,513	) (21,456
Accrued expenses and other current liabilities	(872	) (41,759
Deferred revenues	23,001	2,240
Other liabilities	(8,228	) 30,809
Total changes in operating assets and liabilities, net of the effects of acquisitions	95,315	32,908
Net cash provided by operating activities	243,070	159,228
Investing Activities		
Purchases of available-for-sale investments	(314,387	) (182,919
Proceeds from sales of available-for-sale investments	104,185	180,434
Proceeds from maturities of available-for-sale investments	138,488	169,008
Proceeds from the sale of cost method investments	5,559	—
Purchases of property and equipment	(23,147	) (26,845
Purchases of cost method investments	(1,712	) (1,852
Cash paid for acquisitions, net of cash acquired	(24,033	) (118,440
Cash paid for licensing agreements and product related intangible assets	(61	) (1,522
Net cash (used in) provided by investing activities	(115,108	) 17,864
Financing Activities		
Proceeds from issuance of common stock under stock-based compensation plans	30,260	42,337
Repayment of acquired debt	(2,456) (10,926
Excess tax benefit from exercise of stock options	14,597	15,502

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Stock repurchases, net	(99,996)	(99,954)
Cash paid for tax withholding on vested stock awards	(14,102)	(8,797)
Net cash used in financing activities	(71,697	)	(61,838)
Effect of exchange rate changes on cash and cash equivalents	1,320		3,924	
Change in cash and cash equivalents	57,585		119,178	
Cash and cash equivalents at beginning of period	333,296		396,162	
Cash and cash equivalents at end of period	\$390,881		\$515,340	
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 will be 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):

As Previously Reported	Three Months Ended March 31, 2011		As Reported Herein
	Amount	Reclassified	
Revenues:			Revenues:
License updates	\$177,876	\$43,503	License updates and maintenance ⁽²⁾
Technical services ⁽¹⁾	62,980	(43,503)	Professional services ⁽³⁾
Total	\$240,856	\$—	Total
			\$240,856

(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.

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Additionally, during the first quarter of 2012, the Company revised its methodology for allocating certain 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):

As Previously Reported	Three Months Ended March 31, 2011		As Reported Herein
	Amount	Reclassified	
Cost of services revenues	\$30,666	\$2,571	Cost of services and maintenance revenues
Research and development	82,718	7,830	Research and development
Sales, marketing and services	194,243	11,301	Sales, marketing and services
General and administrative	72,105	(21,702)	General and administrative
Total	\$379,732	\$—	Total

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 March 31, 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 primarily consist of finished goods as of March 31, 2012 and December 31, 2011.

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

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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 is 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 item 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 \$1.6 million and \$1.4 million at March 31, 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.

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 March 31,	
	2012	2011
Numerator:		
Net income attributable to Citrix Systems, Inc. stockholders	\$68,267	\$73,503
Denominator:		
Denominator for basic earnings per share — weighted-average shares outstanding	185,730	187,571
Effect of dilutive employee stock awards	3,154	3,929
Denominator for diluted earnings per share — weighted-average shares outstanding	188,884	191,500
Net income per share attributable to Citrix Systems, Inc. stockholders — basic	\$0.37	\$0.39
Net income per share attributable to Citrix Systems, Inc. stockholders — diluted	\$0.36	\$0.38
Anti-dilutive weighted-average shares	3,805	857

4. ACQUISITIONS

2012 Acquisition

During the first quarter of 2012, the Company acquired all of the issued and outstanding securities of a privately-held company (the "2012 Acquisition") for total cash consideration of approximately \$24.6 million, net of \$0.6 million of cash acquired. The 2012 Acquisition became part of the Company's Enterprise division thereby expanding the Company's cloud platform and cloud networking business. The Company recorded approximately \$25.9 million of goodwill, which is not deductible for tax purposes, and acquired \$11.9 million in assets including \$11.0 million of identifiable product related intangible assets with a useful life of 5.0 years. The Company assumed liabilities of approximately \$12.6 million in conjunction with the acquisition. Transaction costs associated with the acquisition were approximately \$0.5 million, of which the Company expensed \$0.4 million during the three months ended March 31, 2012 and are included in General and administrative expense in the accompanying condensed consolidated statements of income. In addition, in connection with the 2012 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. The Company has included the effect of the 2012 Acquisition in its results of operations prospectively from the date of the acquisition, which effect was not material to its consolidated results.

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 information technology ("IT") services. Netviewer became part of the Company's Online Services division and the acquisition enables the extension

of its

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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 during the first quarter of 2011 and is included in General and administrative expense in the accompanying condensed consolidated statement 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. 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 moved 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. 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. 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.

Other Acquisitions

During the first quarter of 2011, the Company acquired certain assets of a wholly-owned subsidiary of a privately-held company (the "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. 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 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.

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. In addition, the Company also deposited an additional \$3.0 million to be held in escrow. 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, with existing vesting schedules.

Subsequent Events

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 will become part of the Company's Online Services division. The total preliminary 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 are currently estimated at \$0.6 million, of which the Company expensed \$0.5 million during the three months ended March 31, 2012 and are included in General and administrative expense in the accompanying condensed consolidated statements of income. 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.

The Company continues to evaluate certain income tax assets and liabilities related to the 2012 Acquisition and 2011 Acquisitions. See Note 9 for information regarding the Company's segments.

5. INVESTMENTS

Available-for-sale Investments

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

Description of the Securities	March 31, 2012				December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Agency securities	\$656,187	\$5,429	\$(313)	\$661,303	\$641,997	\$4,506	\$(279)	\$646,224
Corporate securities	458,432	1,059	(407)	459,084	392,365	618	(1,190)	391,793
Municipal securities	69,910	84	(16)	69,978	80,004	57	(35)	80,026
Government securities	27,274	185	(5)	27,454	26,056	206	—	26,262
Total	\$1,211,803	\$6,757	\$(741)	\$1,217,819	\$1,140,422	\$5,387	\$(1,504)	\$1,144,305

The change in net unrealized gains (losses) on available-for-sale securities recorded in Other comprehensive income includes unrealized gains (losses) that arose from changes in market value of specifically identified securities that were held during the period, gains (losses) that were previously unrealized, but have been recognized in current period net income due to sales, as well as prepayments of available-for-sale investments purchased at a premium. This reclassification has no effect on total comprehensive income or equity and was immaterial for all periods presented.

For the three months ended March 31, 2012 and 2011, the Company received proceeds from sales of available-for-sale investments of \$104.2 million and \$180.4 million, respectively. For the three months ended March 31, 2012, the Company had no realized gains on the sales of available-for-sale investments. For the three months ended March 31, 2011, the Company had realized gains on the sales of available-for-sale investments of \$0.2 million. For the three months ended March 31, 2012 and 2011, the Company had realized losses on available-for-sale investments of \$0.2 million and \$0.6 million, respectively, primarily related to prepayments at par of securities purchased at a premium. All realized gains and losses related to the sales of available-for-sale investments are included in other income, net, in the accompanying condensed consolidated statements of income.

The average remaining maturities of the Company's short-term and long-term available-for-sale investments at March 31, 2012 were approximately five months and eight years, respectively.

Unrealized Losses on Available-for-Sale Investments

The gross unrealized losses on the Company's available-for-sale investments that are not deemed to be other-than-temporarily impaired were \$0.7 million