

PTC INC.  
Form 10-Q  
February 10, 2016

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

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FORM 10-Q

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

For the quarterly period ended January 2, 2016

Commission File Number: 0-18059

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PTC Inc.  
(Exact name of registrant as specified in its charter)

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Massachusetts  
(State or other jurisdiction of  
incorporation or organization)  
140 Kendrick Street, Needham, MA 02494  
(Address of principal executive offices, including zip code)  
(781) 370-5000  
(Registrant's telephone number, including area code)

04-2866152  
(I.R.S. Employer  
Identification Number)

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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 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

There were 114,531,686 shares of our common stock outstanding on February 8, 2016.

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Important Update Regarding Quarter-End Results

Our results for the three months ended January 2, 2016 included in this Quarterly Report on Form 10-Q reflect an accrual reversal of \$1.6 million related to a legal proceeding which was resolved in our favor after we initially reported our results for the first quarter of 2016 in our Earnings Release on Form 8-K on January 20, 2016. As a result, operating income and net income for the quarter ended January 2, 2016 are \$1.6 million higher than initially reported.

PTC Inc.  
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## PART I—FINANCIAL INFORMATION

## ITEM 1. UNAUDITED CONDENSED FINANCIAL STATEMENTS

PTC Inc.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except per share data)  
(unaudited)

	January 2, 2016	September 30, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$296,797	\$273,417
Accounts receivable, net of allowance for doubtful accounts of \$935 and \$998 at January 2, 2016 and September 30, 2015, respectively	161,402	197,275
Prepaid expenses	56,536	56,365
Other current assets	144,853	140,819
Deferred tax assets	—	36,803
Total current assets	659,588	704,679
Property and equipment, net	60,878	65,162
Goodwill	1,086,230	1,069,041
Acquired intangible assets, net	317,670	291,301
Deferred tax assets	49,631	38,936
Other assets	41,896	40,794
Total assets	\$2,215,893	\$2,209,913
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$12,171	\$13,361
Accrued expenses and other current liabilities	94,617	97,613
Accrued compensation and benefits	94,726	82,414
Accrued income taxes	4,105	4,010
Deferred tax liabilities	—	1,622
Current portion of long term debt	—	50,000
Deferred revenue	373,768	368,240
Total current liabilities	579,387	617,260
Long term debt, net of current portion	718,125	618,125
Deferred tax liabilities	13,704	42,361
Deferred revenue	15,498	18,610
Other liabilities	53,242	53,386
Total liabilities	1,379,956	1,349,742
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 500,000 shares authorized; 114,532 and 113,745 shares issued and outstanding at January 2, 2016 and September 30, 2015, respectively	1,145	1,137
Additional paid-in capital	1,561,795	1,553,390
Accumulated deficit	(626,506	) (602,614
Accumulated other comprehensive loss	(100,497	) (91,742

Total stockholders' equity	835,937	860,171
Total liabilities and stockholders' equity	\$2,215,893	\$2,209,913

The accompanying notes are an integral part of the condensed consolidated financial statements.

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PTC Inc.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share data)  
(unaudited)

	Three months ended	
	January 2, 2016	January 3, 2015
Revenue:		
Subscription	\$22,176	\$14,223
Support	171,756	181,629
Total recurring software revenue	193,932	195,852
Perpetual license	47,763	64,748
Total software revenue	241,695	260,600
Professional services	49,322	64,842
Total revenue	291,017	325,442
Cost of revenue:		
Cost of software revenue	36,814	34,725
Cost of professional services revenue	43,333	58,217
Total cost of revenue	80,147	92,942
Gross margin	210,870	232,500
Operating expenses:		
Sales and marketing	82,429	89,484
Research and development	57,669	61,097
General and administrative	38,567	35,130
Amortization of acquired intangible assets	8,350	9,413
Restructuring charges	37,147	(255)
Total operating expenses	224,162	194,869
Operating income (loss)	(13,292)	) 37,631
Interest and other expense, net	(6,253)	) (3,224)
Income (loss) before income taxes	(19,545)	) 34,407
Provision for income taxes	4,347	4,123
Net income (loss)	\$(23,892)	) \$30,284
Earnings (loss) per share—Basic	\$(0.21)	) \$0.26
Earnings (loss) per share—Diluted	\$(0.21)	) \$0.26
Weighted average shares outstanding—Basic	114,151	115,341
Weighted average shares outstanding—Diluted	114,151	117,027