

Cogent, Inc.  
Form 10-Q  
August 10, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009**

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

**Commission file number 000-50947**

**COGENT, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**95-4305768**  
(I.R.S. Employer  
Identification No.)

**639 North Rosemead Blvd.**

**Pasadena, California**  
(Address of principal executive offices)

**91107**  
(Zip Code)

**Registrant's telephone number, including area code: (626) 325-9600**

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

As of August 1, 2009 there were 89,645,189 shares of the registrant's common stock outstanding.

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**COGENT, INC.**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****COGENT, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, except share data)

(unaudited)

	December 31, 2008	June 30, 2009
<b>ASSETS</b>		
Current assets:		
Cash	\$ 34,862	\$ 57,370
Investments in marketable securities	277,434	237,144
Billed accounts receivable, net of allowance for doubtful accounts of \$660 and \$1,103 at December 31, 2008 and June 30, 2009, respectively	30,767	16,045
Unbilled accounts receivable	1,110	734
Inventory and contract related costs	12,715	16,039
Prepaid expenses and other current assets	3,251	2,727
Deferred income taxes	31,956	31,036
Total current assets	392,095	361,095
Investments in marketable securities	167,600	235,991
Inventory and contract related costs	5,813	6,407
Property and equipment, net	37,192	37,628
Deferred income taxes	9,112	8,899
Intangible and other assets	8,319	8,031
Total assets	\$ 620,131	\$ 658,051
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,629	\$ 5,962
Accrued expenses	11,574	7,930
Income taxes payable		9,775
Deferred revenues	59,438	41,839
Total current liabilities	75,641	65,506
Long-term liabilities		
Deferred revenues	15,540	43,263
Other liabilities	9,478	9,531
Total liabilities	100,659	118,300
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued or outstanding at December 31, 2008 and June 30, 2009, respectively		

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Common stock, \$0.001 par value; 245,000,000 shares authorized; 95,943,495 and 89,640,639 shares issued and outstanding at December 31, 2008 and June 30, 2009, respectively	120	120
Additional paid-in capital	433,843	371,731
Retained earnings	147,477	164,914
Accumulated other comprehensive income	1,278	2,986
Treasury stock, at cost; 6,379,077 and zero shares at December 31, 2008 and June 30, 2009, respectively	(63,246)	
 Total stockholders' equity	 519,472	 539,751
 Total liabilities and stockholders' equity	 \$ 620,131	 \$ 658,051

See accompanying notes to unaudited condensed consolidated financial statements.

**Table of Contents****COGENT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share data)

(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2008	2009	2008	2009
<b>Revenues:</b>				
Product revenues	\$ 17,394	\$ 21,472	\$ 34,798	\$ 42,138
Maintenance and services revenues	8,647	10,299	15,874	20,667
<b>Total revenues</b>	<b>26,041</b>	<b>31,771</b>	<b>50,672</b>	<b>62,805</b>
<b>Cost of revenues:</b>				
Cost of product revenues	5,618	7,727	10,599	13,280
Cost of maintenance and services revenues	3,733	3,732	6,294	7,993
<b>Total cost of revenues</b>	<b>9,351</b>	<b>11,459</b>	<b>16,893</b>	<b>21,273</b>
<b>Gross profit</b>	<b>16,690</b>	<b>20,312</b>	<b>33,779</b>	<b>41,532</b>
<b>Operating expenses (income):</b>				
Research and development	3,376	3,453	6,546	7,180
Selling and marketing	2,992	3,360	5,683	6,515
General and administrative	2,669	2,753	5,613	5,773
Income from settlement of lawsuit			(10,000)	
<b>Total operating expenses</b>	<b>9,037</b>	<b>9,566</b>	<b>7,842</b>	<b>19,468</b>
Operating income	7,653	10,746	25,937	22,064
<b>Other income:</b>				
Interest income	4,093	2,736	9,063	5,992
Other, net	(165)	155	(202)	200
<b>Total other income</b>	<b>3,928</b>	<b>2,891</b>	<b>8,861</b>	<b>6,192</b>
Income before income taxes	11,581	13,637	34,798	28,256
Income tax provision	4,371	5,150	13,160	10,819
<b>Net income</b>	<b>\$ 7,210</b>	<b>\$ 8,487</b>	<b>\$ 21,638</b>	<b>\$ 17,437</b>
Basic net income per share	\$ 0.08	\$ 0.09	\$ 0.24	\$ 0.19
Diluted net income per share	\$ 0.08	\$ 0.09	\$ 0.24	\$ 0.19
Shares used in computing basic net income per share	89,329	89,631	90,418	89,605
Shares used in computing diluted net income per share	90,482	90,554	91,599	90,545

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See accompanying notes to unaudited condensed consolidated financial statements.

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

	<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2009</b>
<b>Cash Flows from operating activities:</b>		
Net income	\$ 21,638	\$ 17,437
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	997	1,567
Allowance for doubtful accounts	103	443
Share-based compensation	1,790	1,982
Excess tax benefit from share-based compensation	(2,936)	(116)
Amortization of bond (discount) premium on available for sale securities	(628)	3,750
Equity in earnings of investee	(52)	(168)
Deferred income taxes	468	(1,024)
Changes in assets and liabilities:		
Billed accounts receivable	(5,122)	14,274
Unbilled accounts receivable	(158)	376
Inventory and contract related costs	(4,560)	(3,914)
Prepaid expenses and other current assets	(1,316)	526
Other assets	2,923	64
Accounts payable	(280)	1,215
Accrued expenses	289	(3,644)
Other liabilities	1,173	53
Income taxes payable	(89)	9,889
Deferred revenues	21,233	10,124
Net cash provided by operating activities	35,473	52,834
<b>Cash Flows from investing activities:</b>		
Purchase of available-for-sale securities	(480,911)	(230,119)
Proceeds from maturities of available-for-sale securities	499,695	200,698
Purchase of equity investment	(3,000)	
Acquisition of Security Solutions Division	(4,927)	
Purchase of property and equipment	(2,302)	(1,452)
Net cash provided by (used in) investing activities	8,555	(30,873)
<b>Cash Flows from financing activities:</b>		
Payment of employment taxes related to release of nonvested share awards		(52)
Proceeds from the exercise of stock options	452	114
Excess tax benefit from share-based compensation	2,936	116
Repurchase of common stock	(41,806)	
Net cash (used in) provided by financing activities	(38,418)	178
Effect of exchange rate changes on cash	(521)	369



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Net increase in cash	5,089	22,508
Cash, beginning of period	8,955	34,862
Cash, end of period	\$ 14,044	\$ 57,370

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