

SYNOPSIS INC
Form 8-K
August 18, 2010

UNITED STATES
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): August 18, 2010

SYNOPSIS, INC.

(Exact name of Registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

000-19807
(Commission
File Number)

56-1546236
(I.R.S. Employer
Identification No.)

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700 East Middlefield Road

Mountain View, California 94043

(Address of principal executive offices)

Registrant's telephone number, including area code: (650) 584-5000

N/A

(Former name or former address, if changed since last report)

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:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- 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 August 18, 2010, Synopsis, Inc. issued a press release announcing the financial results of the third fiscal quarter ended July 31, 2010. A copy of this press release is furnished and attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Current Report, including the exhibit hereto, shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended. The information contained herein and in the accompanying exhibit shall not be incorporated by reference into any registration statement or other document filed with the Securities and Exchange Commission by Synopsis, Inc. whether made before or after the date hereof, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

The attached press release includes non-GAAP earnings per share, non-GAAP net income, targeted non-GAAP expenses, and targeted non-GAAP earnings per share.

These non-GAAP measures are not in accordance with, or an alternative for, U.S. generally accepted accounting principles (GAAP) and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles and management exercises judgment in determining which items should be excluded in the calculation of non-GAAP measures. While we believe that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP, we believe that non-GAAP measures are valuable in analyzing our operations. Management analyzes current and future results on a GAAP basis as well as a non-GAAP basis and also provides GAAP and non-GAAP measures in our earnings release. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. The non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures. We believe that the presentation of non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to our financial condition and results of operations.

Synopsis management evaluates and makes decisions about our business operations primarily based on the revenue, orders, and direct, ongoing and recurring costs of those operations. For our internal budgeting and resource allocation process, and in reviewing our financial results, we use non-GAAP financial measures that exclude: (i) the amortization of acquired intangible assets; (ii) the impact of stock compensation; (iii) in-process research and development expenses; (iv) acquisition-related costs; (v) other significant items, including the effect of a tax benefit from a settlement with the Internal Revenue Service and a facility restructuring charge; and (vi) the income tax effect of non-GAAP pre-tax adjustments from the provision for income taxes.

We use these non-GAAP financial measures in making operating decisions because we believe the measures provide meaningful supplemental information regarding our operational performance and give us a better understanding of how we should invest in research and development and fund infrastructure and product and market strategies. We use these measures to help us make budgeting decisions, for example, between product development expenses and research and development, sales and marketing and general and administrative expenses. In addition, these non-GAAP financial measures facilitate our internal comparisons to our historical operating results, forecasted targets and comparisons to competitors operating results.

As described above, we exclude the following items from one or more of our non-GAAP measures:

(i) *Amortization of acquired intangible assets.* We incur expenses from amortization of acquired intangible assets which include contract rights associated with certain executory contracts and core/developed technology, trademarks, trade names, customer relationships, covenants not to compete, and other intangibles related to acquisitions. We amortize the intangible assets over their economic lives. We exclude this item because this expense is non-cash in nature and because we believe the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding our operational performance, liquidity and ability to invest in research and development and fund acquisitions and capital expenditures.

(ii) *Stock compensation impact.* We exclude stock compensation expenses from our non-GAAP measures primarily because they are non-cash expenses. We believe that it is useful to investors to understand the impact of stock compensation to our operational performance, liquidity and ability to invest in research and development and fund acquisitions and capital expenditures. While stock compensation expense constitutes an ongoing and recurring expense, such expense is excluded from non-GAAP results because it is not an expense that typically requires or will require cash settlement by us and because such expense is not used by us to assess the core profitability of our business operations. In addition, excluding this item from various non-GAAP measures facilitates comparisons to our competitors' operating results.

(iii) *In-process research and development expenses.* We incurred costs relating to in-process research and development projects when technological feasibility for the acquired technology had not been established and no future alternative use for such technology existed. For accounting purposes in the prior years, such costs were expensed as incurred. Excluding these items from various non-GAAP measures facilitates our internal comparisons to our historical operating results and comparisons to our competitors' operating results.

(iv) *Acquisition-related costs.* In connection with our business combinations, we incur compensation expenses, professional fees and other direct expenses related to restructuring activities of the acquired company. We exclude such expenses as they are primarily related to acquisitions and have no direct correlation to the operation of our business.

(v) *Legal settlements.* From time to time we are party to legal settlements. We have excluded the effect of a tax benefit from a settlement with the Internal Revenue Service because we do not consider this matter to be part of the ongoing operation of our business and because of the singular nature of the claim underlying this matter.

(vi) *Restructuring costs.* From time to time, in order to control costs, we restructure our operations. Certain restructuring costs are infrequent and not ongoing and therefore we do not consider them to be part of the ongoing operation of our business. For this reason, we have excluded a loss on the closure of a facility obtained through our acquisition of another company.

(vii) *Income tax effect of non-GAAP pre-tax adjustments from the provision for income taxes.* Excluding the income tax effect of non-GAAP pre-tax adjustments from the provision for income taxes assists investors in understanding the tax provision associated with those adjustments and the effect on net income.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

- 99.1 Press release dated August 18, 2010 containing Synopsys, Inc.'s results of operations for the third fiscal quarter ended July 31, 2010.

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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.

Date: August 18, 2010

SYNOPSIS, INC.

/s/ BRIAN E. CABRERA
Brian E. Cabrera
Vice President, General Counsel
and Corporate Secretary

Exhibit Index

Exhibit

Number

Exhibit Title

99.1 Press release dated August 18, 2010 containing Synopsys, Inc.'s results of operations for the third fiscal quarter ended July 31, 2010.