

SOURCEFIRE INC  
Form 10-Q  
May 04, 2007

**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, 2007**
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 1-33350**

**SOURCEFIRE, INC.**

*(Exact Name of Registrant as Specified in its Charter)*

**Delaware**

*(State or Other Jurisdiction of  
Incorporation or Organization)*

**52-2289365**

*(I.R.S. Employer  
Identification No.)*

**9770 Patuxent Woods Drive  
Columbia, Maryland**

*(Address of Principal Executive Offices)*

**21046**

*(Zip Code)*

**Registrant's telephone number including area code: 410-290-1616**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated filer

Accelerated filer

Non-accelerated filer

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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 April 30, 2007 there were 24,003,691 shares of the registrant's common stock outstanding.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SOURCEFIRE, INC.****CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share and per share data)

	<b>March 31 2007 (Unaudited)</b>	<b>December 31 2006</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 99,253	\$ 13,029
Held-to-maturity investments	10,700	12,385
Accounts receivable, net of allowance for doubtful accounts of \$150 in 2007 and \$166 in 2006	10,976	16,507
Inventory	3,384	2,099
Prepaid expenses and other current assets	1,840	919
Total current assets	126,153	44,939
Property and equipment, net	3,440	2,546
Held-to-maturity investments, less current portion	1,514	908
Other assets	397	1,559
Total assets	\$ 131,504	\$ 49,952
<b>Liabilities, convertible preferred stock and stockholders equity (deficit)</b>		
Current liabilities:		
Accounts payable	\$ 2,544	\$ 3,081
Accrued compensation and related expenses	1,540	1,783
Other accrued expenses	1,642	1,312
Current portion of deferred revenue	12,460	11,735
Current portion of long-term debt		675
Other current liabilities	653	501
Total current liabilities	18,839	19,087
Deferred revenue, less current portion	2,870	2,380
Long-term debt, less current portion		637
Other long-term liabilities	78	
Total liabilities	21,787	22,104
Series A convertible preferred stock, \$0.001 par value; 2,495,410 shares authorized at December 31, 2006, 2,475,410 shares issued and outstanding at December 31,		10,308

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2006; aggregate liquidation preference of \$14,093 at December 31, 2006; no shares authorized, issued or outstanding at March 31, 2007			
Warrants to purchase Series A convertible preferred stock			25
Series B convertible preferred stock, \$0.001 par value; 7,132,205 shares authorized, issued and outstanding at December 31, 2006; aggregate liquidation preference of \$19,947 at December 31, 2006; no shares authorized, issued or outstanding at March 31, 2007			14,265
Series C convertible preferred stock, \$0.001 par value; 5,404,043 shares authorized, issued and outstanding at December 31, 2006; aggregate liquidation preference of \$26,050 at December 31, 2006; no shares authorized, issued or outstanding at March 31, 2007			18,270
Series D convertible preferred stock, \$0.001 par value; 3,264,449 shares authorized, issued and outstanding at December 31, 2006; aggregate liquidation preference of \$29,847 at December 31, 2006; no shares authorized, issued or outstanding at March 31, 2007			23,879
Total convertible preferred stock			66,747
Commitments and contingent liabilities			
Stockholders' equity (deficit):			
Preferred stock, \$0.001 par value; 20,000,000 shares authorized at March 31, 2007; no shares issued and outstanding at March 31, 2007			
Common stock, \$0.001 par value; 240,000,000 shares authorized; 23,999,716 and 3,491,764 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively		24	3
Additional paid-in capital		151,083	
Accumulated deficit		(41,390)	(38,902)
Total stockholders' equity (deficit)		109,717	(38,899)
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	\$	131,504	\$ 49,952

See accompanying notes to consolidated financial statements.

**SOURCEFIRE, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Amounts in thousands, except share and per share data)**

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	
Revenue:		
Products	\$ 5,650	\$ 5,423
Technical support and professional services	4,805	3,109
Total revenue	10,455	8,532
Cost of revenue:		
Products	1,556	1,397
Technical support and professional services	728	610
Total cost of revenue	2,284	2,007
Gross profit	8,171	6,525
Operating expenses:		
Research and development	2,501	2,082
Sales and marketing	5,947	4,810
General and administrative	2,328	1,259
Depreciation and amortization	362	289
Total operating expenses	11,138	8,440
Loss from operations	(2,967)	(1,915)
Other income (expense):		
Interest and investment income	538	19
Interest expense	(35)	(22)
Other income (expense)	(12)	(7)
Total other income (expense)	491	(10)
Loss before income taxes	(2,476)	(1,925)
Income tax expense	(12)	
Net loss	(2,488)	(1,925)
Accretion of preferred stock	(870)	(715)
Net loss attributable to common stockholders	(3,358)	\$ (2,640)

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Net loss attributable to common stockholders per share:

Basic and diluted	\$	(0.39)	\$	(0.79)
Weighted average shares outstanding used in computing per share amounts:				
Basic and diluted		8,623,982		3,338,306

See accompanying notes to consolidated financial statements.



**SOURCEFIRE, INC.**

**CONSOLIDATED STATEMENT OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)**  
**(Amounts in thousands, except share data)**  
**(unaudited)**

	Warrants to Purchase Series A	Convertible Preferred Stock	Series B Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Series C Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Series D Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Common Stock Shares	Stockhold Amount	Ac C
0,308	\$ 25	7,132,205	\$ 14,265	5,404,043	\$ 18,270	3,264,449	\$ 23,879	3,491,764	\$ 3	\$	
								20,396	1		
								6,185,500	6		
140			186		237		307				
0,448)	(25)	(7,132,205)	(14,451)	(5,404,043)	(18,507)	(3,264,449)	(24,186)	14,302,056	14		



**SOURCEFIRE, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in thousands)**

**Three Months Ended**  
**March 31**  
**2007            2006**  
**(Unaudited)**

**Operating activities**