

'Hot' Borland projects big growth

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By JENNIFER PITTMAN
SENTINEL CORRESPONDENT

SCOTTS VALLEY — Borland Software Corp., which saw third-quarter profits drop but revenues rise, continues to be a darling among tech investors who say they like the company's clean balance sheet and growth projections for the coming quarters.

Despite the economy and the Sept. 11 tragedy that affected revenues and postponed pending deals, executives at the Scotts Valley-based software developer tool-maker say they hired 60 people at the company headquarters and expect significant growth in the fourth quarter. About 450 of Borland's 1,140 employees worldwide are based in Scotts Valley.

President and Chief Executive Officer Dale Fuller says he expects to have 20 to 60 new local hires by the end of the year. He said the worldwide work force should grow to almost 1,300 by year's end. In second or third quarter 2002, the company could expand into nearby offices on Green Hills Road. The company, he says, is culling through resumes from everywhere.

"A lot of people have found that Borland is a hot company," Fuller said, noting that it was just a few years ago that people wondered if the company would stay afloat. "We're one of the very few companies in the whole area that's actually generating cash."

For the third quarter, revenues jumped 16 percent to \$55 million from \$47.6 million for the same quarter a year ago. That revenues dropped less than 2 percent from the second quarter demon-

strates the company's relative strength to weather the sluggish economy, said Frederick A. Ball, executive vice president and chief financial officer. International sales, which made up 66 percent of revenues this quarter, played the strongest role in years, he said.

Third quarter profit dropped to \$4.7 million. Ball attributed some of the profit decline to dropping federal interest rates.

"The numbers have come down, but you need to look at where the numbers were," Ball said. "What you're looking at today is a lot healthier organization. We're executing and expanding."

Revenues for the first nine months of 2001 increased 16 percent to \$162.7 million.

Shares that trade on Nasdaq under the ticker BORL closed up 40 cents at \$12.60 Thursday.

"The main thing is their balance sheet is just rock solid," said equity analyst Erin Dailey, an equity analyst with RedChip Review in Portland, Ore. "Their product pipeline is very strong, management has met or exceeded their guidance. The company over all is well-positioned — far better than the rest of their peers."

And having \$280 million in cash is "rather enviable," she said.

Like most software vendors, business slowed after Sept. 11, but the company managed a sixth consecutive quarter of profitability and a seventh consecutive quarter of positive revenue from operations. Borland has no long-term debt and more than \$280 million in cash, cash equivalents and short-term investments. The company bought more than 360,000 shares of its stock with \$3 million in cash.

With all that cash, the company "is actively seeking appropriate opportunities" locally and elsewhere, Ball said.

Borland plans to roll out new products this quarter and next year.

"I believe that it's going to shock the

Borland Software Corp.

WHAT: A provider of Internet access infrastructure and application development tools and services.

HEADQUARTERS: 100 Enterprise Way, Scotts Valley.

BACKGROUND: Founded in 1983, headquartered in Scotts Valley. 450 of Borland's 1,140 employees worldwide are based in Scotts Valley.

LEADERSHIP: Dale L. Fuller, president and chief executive officer.

INFORMATION: (831) 431-1000, www.borland.com.

STOCK PRICE: Nasdaq: BORL closed up 40 cents at \$12.60 Thursday.

REVENUE: First nine months of 2001 increased 16 percent to \$162.7 million from \$140.8 million the same period last year. Compared with last year's first nine months, profit increased 38 percent to \$16.9 million, or 23 cents per diluted share. Last year, January through September, Borland generated \$12.3 million, or 18 cents per diluted share.

PROFIT: Third quarter dropped to \$4.7 million, or 6 cents per diluted share on 75.1 million weighted average shares outstanding from \$8.5 million 12 cents per diluted share for the same quarter a year ago, excluding nonrecurring items on 69 million weighted shares outstanding.

market what we're going to come out with on Nov. 12," Ball said.

Borland expects to deliver a 13-17 percent increase from last year in revenues for the fourth quarter of 2001. Earnings per diluted share are expected to range from 6 to 8 cents for the fourth quarter. Borland expects 2002 revenues to increase 12-15 percent from 2001 revenues.

Contact Jennifer Pittman at jpitt4@aol.com.



FULLER

Firm 'actually generating cash'