INFORMATICA CORP
Form 10-Q
August 06, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015
or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 0-25871
INFORMATICA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	77-0333710
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2100 Seaport Boulevard
Redwood City, California 94063
(Address of principal executive offices and zip code)
(650) 385-5000
(Registrant’s telephone number, including area code)

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 (the "Exchange Act") 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 þ No ¨
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes þ 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 þ Accelerated filer ¨ Non-accelerated filer ¨ 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 þ
As of August 3, 2015, there were approximately 104,428,000 shares of the registrant’s Common Stock outstanding.

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PART I: FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
INFORMATICA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$536,258	$368,531
Short-term investments	21,739	353,130
Accounts receivable, net of allowances of $3,447 and $3,465, respectively	188,509	235,705
Deferred tax assets	44,749	46,867
Prepaid expenses and other current assets	42,809	25,447
Total current assets	834,064	1,029,680
Property and equipment, net	152,507	159,708
Goodwill	545,668	551,196
Other intangible assets, net	35,662	43,161
Long-term deferred tax assets	29,026	32,032
Other assets	9,667	13,809
Total assets	$1,606,594	$1,829,586
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$18,284	$12,009
Accrued liabilities	56,964	60,404
Accrued compensation and related expenses	67,062	88,336
Income taxes payable	—	6,895
Deferred revenues	331,660	324,296
Total current liabilities	473,970	491,940
Long-term deferred revenues	17,661	14,679
Long-term income taxes payable	29,262	30,350
Other liabilities	3,578	3,666
Total liabilities	524,471	540,635
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, $0.001 par value; 200,000 shares authorized; 104,063 shares and 108,704 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	104	109
Additional paid-in capital	535,685	773,419
Accumulated other comprehensive loss	(41,316)	(31,789)
Retained earnings	587,650	547,212
Total stockholders’ equity	1,082,123	1,288,951
Total liabilities and stockholders' equity	$1,606,594	$1,829,586

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Software	$110,846	$103,455	$214,572	$206,498
Service	151,020	147,258	297,830	287,312
Total revenues	261,866	250,713	512,402	493,810
Cost of revenues:				
Software	3,226	2,450	6,602	5,569
Service	41,973	43,343	82,524	83,572
Amortization of acquired technology	2,589	3,286	5,339	7,271
Total cost of revenues	47,788	49,079	94,465	96,412
Gross profit	214,078	201,634	417,937	397,398
Operating expenses:				
Research and development	50,044	48,850	100,721	94,535
Sales and marketing	103,724	96,784	201,126	188,368
General and administrative	21,214	20,019	42,313	40,072
Amortization of intangible assets	1,031	1,384	2,122	2,920
Acquisitions and other charges	8,609	771	9,967	860
Total operating expenses	184,622	167,808	356,249	326,755
Income from operations	29,456	33,826	61,688	70,643
Interest income	533	1,179	1,404	2,332
Interest expense	(59)	(166)	(145)	(293)
Other income (expense), net	2,820	(198)	3,188	(282)
Income before income taxes	32,750	34,641	66,135	72,400
Income tax provision	13,867	11,812	25,695	24,718
Net income	$18,883	$22,829	$40,440	$47,682
Basic net income per common share	$0.18	$0.21	$0.38	$0.44
Diluted net income per common share	$0.18	$0.20	$0.38	$0.43
Shares used in computing basic net income per common share	104,574	109,739	105,247	109,453
Shares used in computing diluted net income per common share	106,565	111,601	106,991	111,770

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$18,883	$22,829	$40,440	$47,682
Other comprehensive income (loss):				
Change in foreign currency translation adjustment, net of tax benefit (expense) of $(248), $(118), $1,312 and $(279)	6,952	(312)	(10,051)	257
Available-for-sale investments:				
Change in net unrealized gain, net of tax expense of $(43), $(77), $(198) and $(134)	68	125	319	218
Less: reclassification adjustment for net gain included in net income, net of tax expense of $(118), $(1), $(120) and $(2)	(189)	(2)	(192)	(4)
Net change, net of tax (expense) benefit of $75, $(76), $(78) and $(132)	(121)	123	127	214
Cash flow hedges:				
Change in unrealized (loss) gain, net of tax benefit (expense) of $72, $(250), $(404) and $(800)	(117)	406	654	1,304
Less: reclassification adjustment for net (gain) loss included in net income, net of tax (expense) benefit of $(23), $(104), $(160) and $81	(36)	(168)	(257)	133
Net change, net of tax (expense) benefit of $95, $(146), $(244) and $(881)	(153)	238	397	1,437
Total other comprehensive income (loss), net of tax effect	6,678	49	(9,527)	1,908
Total comprehensive income, net of tax effect	$25,561	$22,878	$30,913	$49,590

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2015	2014
Operating activities:		
Net income	$40,440	$47,682
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,544	9,066
Stock-based compensation	30,396	29,607
Deferred income taxes	4,478	(3,426)
Tax benefits from stock-based compensation	2,589	225
Excess tax benefits from stock-based compensation	(3,505)	(2,634)
Amortization of intangible assets and acquired technology	7,461	10,191
Gain on investment in equity interest	(1,396)	—
Changes in operating assets and liabilities:		
Accounts receivable	47,196	23,491
Prepaid expenses and other assets	(10,474)	(2,324)
Accounts payable and accrued liabilities	(18,269)	(6,009)
Income taxes payable	(10,048)	(14,861)
Deferred revenues	10,834	11,073
Net cash provided by operating activities	109,246	102,081
Investing activities:		
Purchases of property and equipment	(3,074)	(8,707)
Purchases of investments	(49,330)	(165,893)
Investment in equity interest, net	2,612	(282)
Maturities of investments	64,202	113,300
Sales of investments	316,342	4,600
Business acquisition, net of cash acquired	—	(54,614)
Net cash provided by (used in) investing activities	330,752	(111,596)
Financing activities:		
Net proceeds from issuance of common stock	38,471	31,742
Repurchases and retirement of common stock	(300,000)	(55,872)
Withholding taxes related to restricted stock units net share settlement	(9,198)	(5,978)
Payment of contingent consideration	—	(3,061)
Excess tax benefits from stock-based compensation	3,505	2,634
Net cash used in financing activities	(267,222)	(30,535)
Effect of foreign exchange rate changes on cash and cash equivalents	(5,049)	4
Net increase (decrease) in cash and cash equivalents	167,727	(40,046)
Cash and cash equivalents at beginning of period	368,531	297,818
Cash and cash equivalents at end of period	$536,258	$257,772

See accompanying notes to condensed consolidated financial statements.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies
Basis of Presentation
The accompanying condensed consolidated financial statements of Informatica Corporation (“Informatica,” or the “Company”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States of America. However, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed, or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, the financial statements include all normal and recurring adjustments that are necessary to fairly present the results of the interim periods presented. All of the amounts included in this Quarterly Report on Form 10-Q related to the condensed consolidated financial statements and notes thereto as of June 30, 2015 and for the three and six months ended June 30, 2015 and 2014 are unaudited. The interim results presented are not necessarily indicative of results for any subsequent interim period, the year ending December 31, 2015, or any other future period.
The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates, judgments, and assumptions. For example, the Company makes estimates, judgments, and assumptions in determining vendor-specific objective evidence ("VSOE") and, estimated selling price ("ESP") used in revenue recognition, the realizability of deferred tax assets, uncertain tax positions, fair value of acquired tangible and intangible assets and liabilities assumed during acquisitions, the number of reporting segments, the recoverability of intangible assets and their useful lives, the fair value of stock options and forfeiture estimates used in calculating stock-based compensations, number of performance-based restricted stock units that the Company expects to vest, and the collectability of accounts receivable. The Company believes that the estimates, judgments, and assumptions upon which it relies are reasonable based on information available at the time that these estimates, judgments, and assumptions are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Any material differences between these estimates and actual results will impact the Company's condensed consolidated financial statements. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.
The condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated.
These unaudited, condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K, as amended, filed with the SEC. The consolidated balance sheet as of December 31, 2014 has been derived from the audited consolidated financial statements of the Company. The Company's significant accounting policies are described in Note 2 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
Certain reclassifications have been made within the condensed consolidated statements of cash flows to conform to the current year presentation. A change was made to present redemptions by issuers of debt securities held by the Company as part of net cash provided by maturities of investments to reflect that these redemptions are an acceleration of the maturity of the debt investment. Redemptions were previously presented as part of net cash provided by sales of investments. This change in presentation did not affect total net cash used in investing activities and conforming changes have been made for all prior periods presented. Net cash provided by redemptions of $26.4 million was reclassified from sales of investments to maturities of investments for the six months ended June 30, 2014.
Certain reclassifications have been made within the condensed consolidated statements of income. The Company previously presented $1.4 million of expenses related to the Merger (as defined below) and other stockholder matters

as part of general and administrative expenses during the three months ended March 31, 2015 that have been reclassified and presented in acquisitions and other charges in the six months ended June 30, 2015. This change in presentation did not affect total operating expenses during the six months ended June 30, 2015.

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Merger Agreement
On April 6, 2015, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Ithaca Holdco 2 LLC, a Delaware limited liability company (formerly known as Italics Inc., “Newco”) and Ithaca Merger Sub LLC, a Delaware limited liability company formerly known as Italics Merger Sub Inc. and wholly-owned subsidiary of Newco (“Merger Sub”), providing for the merger of Merger Sub with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of Newco.
At the effective time of the Merger, each share of the Company’s common stock issued and outstanding as of immediately prior to the effective time, subject to certain exceptions, will be canceled and extinguished and automatically converted into the right to receive cash in an amount equal to $48.75, without interest thereon. Generally, all outstanding employee stock options immediately before the effective date of the transaction will be canceled and converted into a right to receive an amount in cash equal to $48.75 per stock option, without interest, less the exercise price. All stock options with an exercise price greater than $48.75 will be canceled without payment. Generally, the performance and market conditions for the performance restricted stock units ("PRSUs") granted during 2015 will be deemed achieved at 100% of the applicable target levels unless the applicable agreements governing the PRSUs specify a greater level of achievement, in which case this greater number of PRSUs will be deemed achieved. All vested RSUs and vested PRSUs (as determined by the Merger Agreement) will be canceled and converted into a right to receive cash in an amount equal to $48.75 per RSU and PRSU, without interest. Generally, the remaining unvested RSUs and PRSUs will be assumed and converted to a right to receive cash equal to $48.75 per award subject to continued employment through an accelerated vesting period. For purposes of the unvested RSUs and PRSUs, each vest date underlying the applicable awards will be accelerated by 12 months. See Note 8. Stock-Based Compensation of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.
Newco and Merger Sub have secured committed financing, consisting of a combination of equity to be provided by the Canada Pension Plan Investment Board (“CPPIB”) and investment funds (the “Permira Funds”) advised by Permira Advisers LLC and debt financing from Bank of America, Goldman Sachs Bank, Credit Suisse Securities, Macquarie Capital, Morgan Stanley Senior Funding, Nomura Securities International, RBC Capital Markets and Deutsche Bank Securities, the aggregate proceeds of which, together with the Company’s available cash, cash equivalents or marketable securities will be sufficient for Newco and Merger Sub to pay the aggregate merger consideration and all related fees and expenses. The Merger is not subject to a financing condition.
Consummation of the Merger is subject to customary closing conditions, including, without limitation, the absence of certain legal impediments, the expiration or termination of the required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act"), antitrust regulatory approval in the European Union, Turkey, Russia and Israel, and the receipt of written notice from the Committee on Foreign Investment in the United States ("CFIUS") that it has concluded its review of the joint voluntary notice that will be made by the parties to the Merger Agreement pursuant to Section 721 of the Defense Production Act, as amended, with a determination that there are no unresolved national security concerns with respect to the transaction contemplated by the Merger Agreement, and approval by the Company's stockholders. The Company has received antitrust regulatory approval (or the required waiting periods have expired or terminated) in the European Union, Turkey, Russia, Israel, and under the HSR Act. In addition, the Company has received the required written notice from CFIUS. Furthermore, on June 23, 2015, the Company held a special meeting of stockholders, who voted on and approved the Merger.
The Company has made customary representations and warranties in the Merger Agreement and have agreed to customary covenants regarding the operation of the Company’s business prior to the effective time of the Merger. The Company is also subject to customary restrictions on its ability to solicit alternative acquisition proposals from third parties and to provide non-public information to, and participate in discussions and engage in negotiations with, third parties regarding alternative acquisition proposals, with customary exceptions for a Superior Proposal (as such term is defined in the Merger Agreement).
The Merger Agreement contains certain termination rights for the Company and Newco. Under specified circumstances, the Company will be required to pay Newco a termination fee of $160 million. This fee will become

payable by the Company, in each case subject to the terms and conditions of the Merger Agreement, if before receiving stockholder approval of the Merger the Company terminates the Merger Agreement in connection with a competing acquisition transaction or Newco terminates the Merger Agreement in connection with a breach of covenant by the Company that would cause a failure of our closing conditions to be satisfied, in each case a competing acquisition transaction has been publicly announced, and within one year of termination the Company completes a competing acquisition transaction, or enters into an agreement for a competing acquisition transaction that is subsequently consummated, the Company terminates the Merger Agreement to take a Superior Proposal, or Newco terminates the Merger Agreement in connection with the Company's board of directors failing to make, or withdrawing, its recommendation of the Merger.

Under other specified circumstances, Newco will be required to pay the Company a termination fee of $320 million. This fee will become payable by Newco, in each case subject to the terms and conditions of the Merger Agreement, if the Company terminates the Merger Agreement, provided that Newco is not permitted to terminate the Merger Agreement at such time, in connection with a breach by Newco that would cause a failure of Newco’s closing conditions to be satisfied, or if the Company terminates the Merger Agreement in connection with the Termination Date (as defined below), and at the time of termination we would have been entitled to terminate due to Newco’s breach such that Newco’s closing conditions would not be satisfied or due to Newco’s failure to close the Merger notwithstanding the satisfaction of our closing conditions and Newco’s obligation to close.

CPPIB and the Permira Funds have provided the Company with a fee funding agreement in favor of Informatica (the “Fee Funding Agreement”). In the aggregate, the Fee Funding Agreement guarantees the payment of the termination fee payable by Newco, any interest that may be due thereon and certain reimbursement obligations that may be owed by Newco to the Company pursuant to the Merger Agreement. The Merger Agreement also provides that either party may specifically enforce the other party’s obligations under the Merger Agreement, provided that the Company may only cause Newco to fund the equity financing if certain conditions are satisfied, including the funding or availability of the debt financing at closing.

In addition to the foregoing termination rights, and subject to certain limitations, the Company or Newco may terminate the Merger Agreement if the Merger is not consummated on or before the first business day after October 6, 2015 (the “Termination Date”).

The foregoing description of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of such agreement attached as an exhibit to the Current Report on Form 8-K filed with the SEC on April 7, 2015.

Recent Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update ("ASU") 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40), Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement, as part of its simplification initiative and clarifies how customers in cloud computing arrangements should determine whether the arrangement includes a software license. Existing GAAP does not include explicit guidance about a customer's accounting for fees paid in a cloud computing arrangement. This ASU eliminates the current requirement that customers analogize to the leases standard when determining the assets acquired in a software license arrangement. If a cloud computing arrangement includes a software license, then the customer should account for the software licenses element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. As a result of this ASU, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The ASU is effective for us beginning in 2016, with early adoption permitted. An entity can elect to adopt the ASU either (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. For prospective transition, the only disclosure requirements at transition are the nature of and reason for the change in accounting principle, the transition method, and a qualitative description of the description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. The Company is currently assessing its pending adoption of ASU 2015-05 on its consolidated financial statements and disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs, that requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct reduction from the debt liability, consistent with debt discounts, rather than as an asset. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this update. This ASU is part of the FASB's initiative to reduce complexity in accounting standards and is effective for the Company beginning in 2016 and early adoption is permitted. The standard requires full retrospective adoption, meaning the standard is applied to all periods presented. The Company is currently assessing its pending adoption of ASU 2015-03 on its consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good and services. The FASB decided to delay the effective date of this ASU for reporting periods beginning after December 15, 2017, with early adoption permitted as of the original effective date. As a result, the proposed new effective date for calendar year public companies will be January 1, 2018. ASU 2014-09 allows for two methods of adoption: (a) "full retrospective" adoption, meaning the standard is applied to all periods presented, or (b) "modified retrospective" adoption, meaning the cumulative effect of applying ASU 2014-09 is recognized as an adjustment to the 2017 opening retained earnings balance. The Company has not yet selected a transition method and is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and disclosures.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for the Company in its first quarter of 2016 with early adoption permitted. The Company does not expect its pending adoption of ASU 2014-12 to have a material impact on its consolidated financial statements and disclosures.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern, to provide guidance on management’s responsibility in evaluating whether there is substantial doubt about a company’s ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the Company in the first quarter of 2017 with early adoption permitted. The Company does not expect its pending adoption of ASU 2014-15 to have an impact on the consolidated financial statements and disclosures.

There have been no other changes to the Company's significant accounting policies since the end of 2014.

Fair Value Measurement of Financial Assets and Liabilities

The following table summarizes financial assets and financial liabilities that the Company measures at fair value on a recurring basis as of June 30, 2015 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds (i)	$185,710	$185,710	$—	$—
Time deposits (ii)	20,697	20,697	—	—
Marketable debt securities (ii)	1,042	—	1,042	—
Total money market funds, time deposits, and marketable debt securities	207,449	206,407	1,042	—
Foreign currency derivatives (iii)	199	—	199	—
Total assets	$207,648	$206,407	$1,241	$—
Liabilities:				
Foreign currency derivatives (iv)	$192	$—	$192	$—
Total liabilities	$192	$—	$192	$—

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INFORMATICA CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes financial assets and financial liabilities that the Company measures at fair value on a recurring basis as of December 31, 2014 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds (i)	$15,344	$15,344	$—	$—
Time deposits (ii)	26,395	26,395	—	—
Marketable debt securities (ii)	326,735	—	326,735	—
Total money market funds, time deposits, and marketable debt securities	368,474	41,739	326,735	—
Foreign currency derivatives (iii)	310	—	310	—
Total assets	$368,784	$41,739	$327,045	$—
Liabilities:				
Foreign currency derivatives (v)	$915	$—	$915	$—
Total liabilities	$915	$—	$915	$—

(i) Included in cash and cash equivalents on the condensed consolidated balance sheets.
(ii) Included in short-term investments on the condensed consolidated balance sheets.
(iii) Included in prepaid expenses and other current assets on the condensed consolidated balance sheets.
(iv) Included in accrued liabilities on the condensed consolidated balance sheets.
(v) Included in accrued liabilities and other liabilities on the consolidated balance sheets.

Money Market Funds, Time Deposits, and Marketable Debt Securities

The Company uses a market approach for determining the fair value of all its Level 1 and Level 2 money market funds, time deposits, and marketable securities. The Company's marketable securities consist of municipal securities. To value its money market funds and time deposits, the Company values the funds at $1 stable net asset value, which is the market pricing convention for identical assets that the Company has the ability to access. To value its certificates of deposit and commercial paper, the Company uses mathematical calculations to arrive at fair value for these securities, which generally have short maturities and infrequent secondary market trades. For example, in the absence of any observable transactions, the Company may accrete from purchase price at purchase date to face value at maturity. In the event that a transaction is observed on the same security in the marketplace, and the price on that subsequent transaction clearly reflects the market price on that day, the Company will adjust the price in the system to the observed transaction price and follow a revised accretion schedule to determine the daily price.

To determine the fair value of its municipal securities, the Company uses a third party pricing source for each security. If the market price is not available from the third party source, pricing from the Company's investment custodian is used.

Foreign Currency Derivatives and Hedging Instruments

The Company uses the income approach to value the derivatives using observable Level 2 market inputs at the measurement date and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact. Level 2 inputs are limited to quoted prices that are observable for the derivative assets and liabilities. The Company records its derivative assets and liabilities at gross in the condensed consolidated balance sheet and uses mid-market pricing as a practical expedient for fair value measurements. Key inputs for foreign currency derivatives are the spot rates, forward rates, interest rates, and credit derivative market rates. The spot rate for each foreign currency is the same spot rate used for all balance sheet translations at the measurement date and is sourced from the Federal Reserve Bulletin. The following values are interpolated from commonly quoted intervals available from Bloomberg: forward points and the London Interbank Offered Rate (“LIBOR”) used to discount and determine the fair value of assets and liabilities. Credit default swap spread curves

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identified per counterparty at month end in Bloomberg are used to discount derivative assets for counterparty non-performance risk, all of which have terms of nine months or less. The Company discounts derivative liabilities to reflect the Company's own potential non-performance risk to lenders and has used the spread over LIBOR on its most recent corporate borrowing rate.

The counterparties associated with the Company's foreign currency forward contracts are large credit-worthy financial institutions, and the derivatives transacted with these entities are relatively short in duration; therefore, the Company does not consider counterparty concentration and non-performance to be material risks at this time. Both the Company and the counterparties are expected to perform under the contractual terms of the instruments.

There were no transfers between Level 1, Level 2 and Level 3 categories during the three and six months ended June 30, 2015 and 2014.

See Note 5. Accumulated Other Comprehensive Income (Loss), Note 6. Derivative Financial Instruments, and Note 11. Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for a further discussion.

Note 2. Cash, Cash Equivalents, and Short-Term Investments

The Company's short-term investments are classified as available-for-sale as of the balance sheet date and are reported at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income in stockholders' equity, net of tax. Realized gains or losses and other-than-temporary impairments, if any, on available-for-sale securities are reported in other income or expense as incurred. Realized gains recognized for the three and six months ended June 30, 2015 was $0.3 million. Realized gains recognized for the three and six months ended June 30, 2014 were negligible. The cost of securities sold was determined based on the specific identification method.

The following table summarizes the Company's cash, cash equivalents, and short-term investments as of June 30, 2015 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash	$350,548	$—	$—	$350,548
Cash equivalents:				
Money market funds	185,710	—	—	185,710
Total cash equivalents	185,710	—	—	185,710
Total cash and cash equivalents	536,258	—	—	536,258
Short-term investments:				
Time deposits	20,697	—	—	20,697
Municipal notes and bonds	1,046		(4)	1,042
Total short-term investments	21,743	—	(4)	21,739
Total cash, cash equivalents, and short-term investments	$558,001	$—	$(4)	$557,997

The mix of cash, cash equivalents, and short-term investments as of June 30, 2015 shifted in anticipation of the pending Merger.

The following table summarizes the Company’s cash, cash equivalents, and short-term investments as of December 31, 2014 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash	$353,187	$—	$—	$353,187
Cash equivalents:				
Money market funds	15,344	—	—	15,344
Total cash equivalents	15,344	—	—	15,344
Total cash and cash equivalents	368,531	—	—	368,531
Short-term investments:				
Certificates of deposit	1,920	—	—	1,920
Commercial paper	1,996	—	—	1,996
Corporate notes and bonds	196,401	84	(371)	196,114
Federal agency notes and bonds	51,987	13	(44)	51,956
Time deposits	26,395	—	—	26,395
Municipal notes and bonds	74,639	128	(18)	74,749
Total short-term investments	353,338	225	(433)	353,130
Total cash, cash equivalents, and short-term investments	$721,869	$225	$(433)	$721,661

See Note 1. Summary of Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for further information regarding the fair value of the Company's financial instruments.

The following table summarizes the fair value and gross unrealized losses related to the Company’s short-term investments, aggregated by investment category that have been in a continuous unrealized loss position for less than twelve months, at June 30, 2015 (in thousands):

	Less Than 12 months	
	Fair Value	Gross Unrealized Losses
Municipal notes and bonds	1,046	(4)
Total	$1,046	$(4)

The changes in value of these investments are primarily related to changes in interest rates and are considered to be temporary in nature. There are no short-term investments at June 30, 2015 that have been in a continuous unrealized loss position for greater than twelve months.

The following table summarizes the cost and estimated fair value of the Company’s short-term investments by contractual maturity at June 30, 2015 (in thousands):

	Cost	Fair Value
Due within one year	$20,697	$20,697
Due after two years	$1,046	$1,042
Total	$21,743	$21,739

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Note 3. Intangible Assets and Goodwill
The carrying amounts of the intangible assets other than goodwill as of June 30, 2015 and December 31, 2014 are as follows (in thousands, except years):

	June 30, 2015			December 31, 2014			Weighted Average Useful Life (Years)
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net	
Developed and core technology	$145,892	$(117,508)	$28,384	$145,929	$(112,169)	$33,760	6
Other Intangible Assets:							
Customer relationships	45,178	(41,477)	3,701	45,178	(39,766)	5,412	5
All other [i]	19,144	(15,567)	3,577	19,145	(15,156)	3,989	4-9
Total other intangible assets	64,322	(57,044)	7,278	64,323	(54,922)	9,401	
Total intangible assets, net	$210,214	$(174,552)	$35,662	$210,252	$(167,091)	$43,161	

(i) All other includes vendor relationships, trade names, covenants not to compete, and patents.

Total amortization expense related to intangible assets was $3.6 million and $4.7 million for the three months ended June 30, 2015 and 2014, respectively and $7.5 million and $10.2 million for the six months ended June 30, 2015 and 2014, respectively. Certain intangible assets were recorded in foreign currencies; and therefore, the gross carrying amount and accumulated amortization are subject to foreign currency translation adjustments.
As of June 30, 2015, the amortization expense related to identifiable intangible assets in future periods is expected to be as follows (in thousands):

	Acquired Technology	Other Intangible Assets [ii]	Total Intangible Assets
Remaining 2015	$5,030	$2,180	$7,210
2016	8,888	2,450	11,338
2017	6,874	1,152	8,026
2018	4,758	729	5,487
2019	2,332	449	2,781
Thereafter	502	318	820
Total expected amortization expense	$28,384	$7,278	$35,662

(ii) Other Intangible Assets includes customer relationships, vendor relationships, trade names, covenants not to compete, and patents.

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The changes in the carrying amount of goodwill for the six months ended June 30, 2015 are as follows (in thousands):

	June 30, 2015
Beginning balance as of December 31, 2014	$551,196
Subsequent goodwill adjustments	(5,528)
Ending balance as of June 30, 2015	$545,668

During the six months ended June 30, 2015, the Company recorded subsequent goodwill net reductions of $5.5 million related to foreign currency translation adjustments. The goodwill is partially deductible for tax purposes. See Note 13. Acquisitions of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for a further discussion of goodwill from acquisitions.

Note 4. Borrowings

Credit Agreement

On September 26, 2014, the Company entered into a Credit Agreement (the "Credit Agreement") that matures on September 26, 2019. The Credit Agreement provides for an unsecured revolving credit facility in an amount of up to $220.0 million, with an option for the Company to request to increase the revolving loan commitments or to enter into tranches of term loans in an aggregate amount of up to $30.0 million, for a total credit facility of up to $250.0 million. The revolving credit facility has sublimits for swingline loans available on a same day basis of up to $10.0 million and for the issuance of standby letters of credit in a face amount up to $20.0 million. No amounts were outstanding under the Credit Agreement as of June 30, 2015, and a total of $220.0 million remained available for borrowing.

On July 1, 2015, the Company terminated the Credit Agreement with each of the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Bank of America, N.A., as syndication agent, and all agreements related thereto. There were no outstanding borrowings under the Credit Agreement at the time of its termination and the Company did not incur any early termination penalty in connection with the termination. The Company terminated the Credit Agreement in anticipation of the pending Merger.

Note 5. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated balances for each component of other comprehensive income (loss) for the three months ended June 30, 2015, net of taxes (in thousands):

	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Gain (Loss) on Cash Flow Hedges	Total
Accumulated other comprehensive (loss) income as of March 31, 2015	$(48,315)	$ 119	$202	$(47,994)
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications, net of tax (expense) benefit of $(248), $(43), $ and $72	6,952	68	(117)	6,903
Net gain reclassified from accumulated other comprehensive income (loss), net of tax expense of $ —, $(118) and $(23)	—	(189) (i)	(36) (ii)	(225)
Total other comprehensive income (loss), net of tax effect (iii)	6,952	(121)	(153)	6,678
Accumulated other comprehensive (loss) income as of June 30, 2015	$(41,363)	$ (2)	$49	$(41,316)

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(i) The before-tax gain of $307 was included in other expense, net on the condensed consolidated statements of income.

(ii) The before-tax gain of $14 and $45 were included in cost of service revenues and operating expenses, primarily research and development expense, respectively on the condensed consolidated statements of income.

(iii) The tax expense related to the net gain reclassified from accumulated other comprehensive (loss) income was included in income tax provision on the condensed consolidated statements of income.

The following table summarizes the changes in accumulated balances for each component of other comprehensive income (loss) for the three months ended June 30, 2014, net of taxes (in thousands):

	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Loss on Cash Flow Hedges	Total
Accumulated other comprehensive (loss) income as of March 31, 2014	$(2,310)	$ 154	$803	$(1,353)
Other comprehensive (loss) income:				
Other comprehensive (loss) income before reclassifications, net of tax expense of $(118), $(77) and $(250)	(312)	125	406	219
Net gain reclassified from accumulated other comprehensive (loss) income, net of tax expense of $ —, $(1) and $(104)	—	(2) (i)	(168) (ii)	(170)
Total other comprehensive (loss) income, net of tax effect (iii)	(312)	123	238	49
Accumulated other comprehensive (loss) income as of June 30, 2014	$(2,622)	$ 277	$1,041	$(1,304)

(i) The before-tax loss of $3 was included in other expense, net on the condensed consolidated statements of income.

(ii) The before-tax losses of $66 and $206 were included in cost of service revenues and operating expenses, primarily research and development expense, respectively on the condensed consolidated statements of income.

(iii) The tax expense related to the net gain reclassified from accumulated other comprehensive (loss) income was included in income tax provision on the condensed consolidated statements of income.

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The following table summarizes the changes in accumulated balances for each component of other comprehensive income (loss) for the six months ended June 30, 2015, net of taxes (in thousands):

	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Gain (Loss) on Cash Flow Hedges	Total
Accumulated other comprehensive (loss) income as of December 31, 2014	$(31,312)	$ (129)	$(348)	$(31,789)
Other comprehensive income (loss):				
Other comprehensive (loss) income before reclassifications, net of tax benefit (expense) of $1,312, $(198) and $(404)	(10,051)	319	654	(9,078)
Net gain reclassified from accumulated other comprehensive (loss) income , net of tax expense of $ —, $(120) and $(160)	—	(192) (i)	(257) (ii)	(449)
Total other comprehensive (loss) income, net of tax effect (iii)	(10,051)	127	397	(9,527)
Accumulated other comprehensive (loss) income as of June 30, 2015	$(41,363)	$ (2)	$49	$(41,316)

(i) The before-tax gain of $312 was included in other expense, net on the condensed consolidated statements of income.

(ii) The before-tax gain of $102 and $315 were included in cost of service revenues and operating expenses, primarily research and development expense, respectively on the condensed consolidated statements of income.

(iii) The tax expense related to the net gain reclassified from accumulated other comprehensive (loss) income was included in income tax provision on the condensed consolidated statements of income.

The following table summarizes the changes in accumulated balances for each component of other comprehensive income (loss) for the six months ended June 30, 2014, net of taxes (in thousands):

	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Loss on Cash Flow Hedges	Total
Accumulated other comprehensive (loss) income as of December 31, 2013	$(2,879)	$ 63	$(396)	$(3,212)
Other comprehensive income (loss):				
Other comprehensive income before reclassifications, net of tax expense of $(279), $(134) and $(800)	257	218	1,304	1,779
Net (gain) loss reclassified from accumulated other comprehensive income, net of tax (expense) benefit of $ —, $(2) and $81	—	(4) (i)	133 (ii)	129
Total other comprehensive income (loss), net of tax effect (iii)	257	214	1,437	1,908
Accumulated other comprehensive (loss) income as of June 30, 2014	$(2,622)	$ 277	$1,041	$(1,304)

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(i) The before-tax gain of $6 was included in other expense, net on the condensed consolidated statements of income.
(ii) The before-tax losses of $54 and $160 were included in cost of service revenues and operating expenses, primarily research and development expense, respectively on the condensed consolidated statements of income.
(iii) The tax (expense) benefit related to the net (gain) loss reclassified from accumulated other comprehensive income (loss) was included in income tax provision on the condensed consolidated statements of income.

The Company did not have any other-than-temporary impairment recognized in accumulated other comprehensive income (loss) as of June 30, 2015 and December 31, 2014.

The Company determines the basis of the cost of a security sold and the amount reclassified out of other comprehensive income into statement of income based on specific identification.

See Note 1. Summary of Significant Accounting Policies, Note 6. Derivative Financial Instruments, and Note 11. Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for a further discussion.

Note 6. Derivative Financial Instruments

The Company’s earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The Company uses derivative instruments to manage its exposures to fluctuations in certain foreign currency exchange rates which exist as part of ongoing business operations. The Company and its subsidiaries do not enter into derivative contracts for speculative purposes.

Cash Flow Hedges

The Company enters into certain cash flow hedge programs in an attempt to reduce the impact of certain foreign currency fluctuations. These contracts are designated and documented as cash flow hedges. The purpose of these programs is to reduce the volatility of identified cash flow and expenses caused by movement in certain foreign currency exchange rates, in particular, the Indian rupee. The Company is currently using foreign exchange forward contracts to hedge the foreign currency anticipated expenses of its subsidiary in India.

The Company releases the amounts accumulated in other comprehensive income into earnings in the same period or periods during which the forecasted hedge transaction affects earnings. The Company will reclassify all amounts accumulated in other comprehensive income into earnings within the next 12 months.

The Company has forecasted the amount of its anticipated foreign currency expenses based on its historical performance and its projected financial plan. As of June 30, 2015, the remaining open foreign exchange contracts, carried at fair value, are hedging Indian rupee expenses and have a maturity of nine months or less. These foreign exchange contracts mature monthly as the foreign currency denominated expenses are paid and any gain or loss is offset against operating expense. Once the hedged item is recognized, the cash flow hedge is de-designated and subsequent changes in value are recognized in other income (expense) to offset changes in the value of the resulting non-functional currency monetary assets or liabilities.

The notional amounts of these foreign exchange forward contracts in U.S. dollar equivalents were to buy $26.1 million and $45.9 million of Indian rupees as of June 30, 2015 and December 31, 2014, respectively.

Balance Sheet Hedges

Balance Sheet hedges consist of cash flow hedge contracts that have been de-designated and non-designated balance sheet hedges. These foreign exchange contracts are carried at fair value and either did not or no longer qualify for hedge accounting treatment and are not designated as hedging instruments. Changes in the value of the foreign exchange contracts are recognized in other income (expense) and offset the foreign currency gain or loss on the underlying net monetary assets or liabilities. The notional amounts of foreign currency contracts open at period end in US dollar equivalents were to buy $16.0 million and $10.6 million of Indian rupees at June 30, 2015 and December 31, 2014, respectively. The notional amounts of foreign currency contracts open at period end in U.S. dollar equivalents were to sell $3.7 million of Indian rupees and $57.1 million of Euros at June 30, 2015 and December 31, 2014, respectively.

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The following table reflects the fair value amounts for the foreign exchange contracts designated and not designated as hedging instruments at June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015		December 31, 2014	
	Fair Value Derivative Assets(i)	Fair Value Derivative Liabilities(ii)	Fair Value Derivative Assets(i)	Fair Value Derivative Liabilities(iii)
Derivatives designated as hedging instruments	$116	$74	$141	$761
Derivatives not designated as hedging instruments	83	118	169	154
Total fair value of derivative instruments	$199	$192	$310	$915

(i) Included in prepaid expenses and other current assets on the condensed consolidated balance sheets.
(ii) Included in accrued liabilities on the condensed consolidated balance sheets.
(iii) Included in accrued liabilities and other liabilities on the consolidated balance sheets.

The Company presents its derivative assets and derivative liabilities at gross fair values in the condensed consolidated balance sheets. However, under the master netting agreements with the respective counterparties of the foreign exchange contracts, subject to applicable requirements, the Company is allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. The derivatives held by the Company are not subject to any credit contingent features negotiated with its counterparties. The Company is not required to pledge nor is entitled to receive cash collateral related to the above contracts.

The following table sets forth the offsetting of derivative assets as of June 30, 2015 and December 31, 2014 (in thousands):

				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts of Assets Presented in the Condensed Consolidated Balance Sheets	Financial Instruments(i)	Cash Collateral Pledged	Net Amount
As of June 30, 2015:						
Foreign exchange contracts	$199	$—	$199	$(42)	$—	$157
As of December 31, 2014:						
Foreign exchange contracts	$310	$—	$310	$(62)	$—	$248

(i) The balances at June 30, 2015 and December 31, 2014 were related to derivative liabilities which are allowed to be net settled against derivative assets in accordance with the master netting agreements.

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The following table sets forth the offsetting of derivative liabilities as of June 30, 2015 and December 31, 2014 (in thousands):

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets: Financial Instruments[(ii)]	Cash Collateral Pledged	Net Amount
As of June 30, 2015:						
Foreign exchange contracts	$192	$—	$192	$(42)	$—	$150
As of December 31, 2014:						
Foreign exchange contracts	$915	$—	$915	$(62)	$—	$853

(ii) The balances at June 30, 2015 and December 31, 2014 were related to derivative assets which are allowed to be net settled against derivative liabilities in accordance with the master netting agreements.

The Company evaluates prospectively as well as retrospectively the effectiveness of its hedge programs using statistical analysis. Prospective testing is performed at the inception of the hedge relationship and quarterly thereafter. Retrospective testing is performed on a quarterly basis.

The before-tax effects of derivative instruments designated as cash flow hedges on the accumulated other comprehensive (loss) income and condensed consolidated statements of income for the three and six months ended June 30, 2015 and 2014 are as follows (in thousands):

	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Amount of (loss) gain recognized in other comprehensive income (effective portion)	$(189)	$656	$1,058	$2,104
Amount of gain (loss) reclassified from accumulated other comprehensive income to cost of service revenues and operating expenses (effective portion)	$59	$272	$417	$(214)
Amount of (loss) gain on derivatives due to hedge ineffectiveness recognized in cost of service revenues and operating expenses	$(21)	$—	$95	$—

No amounts were excluded from the assessment of hedge effectiveness during the three and six months ended June 30, 2015 and 2014.

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The before-tax gain (loss) recognized in other income (expense), net for non-designated foreign currency forward contracts for the three and six months ended June 30, 2015 and 2014 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gain (loss) recognized in other income (expense), net	$109	$(6)	$32	$69

See Note 1. Summary of Significant Accounting Policies, Note 5. Accumulated Other Comprehensive Income (Loss), and Note 11. Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for a further discussion.

Note 7. Stock Repurchase Program

The Company's Board of Directors has approved a stock repurchase program for the Company to repurchase its common stock. The primary purpose of the program is to enhance shareholder value, including partially offsetting the dilutive impact of stock-based incentive plans. The number of shares to be purchased and the timing of the purchases are based on several factors, including the price of the Company's common stock, the Company's liquidity and working capital needs, general business and market conditions, and other investment opportunities. These purchases can be made from time to time in the open market and are funded from the Company's available working capital. In each of January, July, and October of 2014, the Board of Directors approved the repurchase of up to an additional $100 million of the Company's outstanding common stock, with such authorizations aggregating to $300 million. In January 2015, we announced that the Board of Directors approved an additional $337 million to augment its existing authorization under our stock repurchase program. Subsequently in February 2015, we entered into separate accelerated stock repurchase ("ASR") agreements with two financial institutions to repurchase an aggregate of $300 million of our common stock. Under the terms of the ASR agreements, we paid an aggregate of $300 million in cash and received an initial delivery of approximately 5,725,000 shares on February 4, 2015. In June 2015, the ASR agreements were settled and the Company received an additional 773,000 shares, which were retired. In total, 6,498,000 shares were delivered under the ASR agreements at an average repurchase price of $46.17 per share.

The repurchase program authorized by the Board of Directors does not have an expiration date. Repurchased shares are retired and reclassified as authorized and unissued shares of common stock. As of June 30, 2015, $200 million of the previous authorizations remained available for future repurchases.

During the three and six months ended June 30, 2014, the Company repurchased approximately 896,000 shares of its common stock at a cost of $32.5 million and approximately 1,478,000 shares of its common stock at a cost of $55.9 million, respectively.

Note 8. Stock-Based Compensation

The Company grants stock options, restricted stock units ("RSUs") and performance-based restricted stock units ("PRSUs") under its 2009 Equity Incentive Plan. Eligible employees may elect to purchase shares of common stock through the Employee Stock Purchase Plan ("ESPP"). The fair value of each option award and ESPP share is estimated on the date of grant using the Black-Scholes-Merton option pricing model that uses the assumptions in the following table. The Company has consistently used a blend of average historical and market-based implied volatilities for calculating the expected volatilities for employee stock options, and uses market-based implied volatilities for its ESPP. The expected term of employee stock options granted is derived from historical exercise patterns of the options, and the expected term of ESPP is based on the contractual terms. The expected term of options granted to employees is derived from the historical option exercises, post-vesting cancellations, and estimates concerning future exercises and cancellations for vested and unvested options that remain outstanding. The risk-free interest rate for the expected term of the option and ESPP is based on the U.S. Treasury yield curve in effect at the time of grant. The Company recognizes its stock-based compensation related to options using a straight-line method over the vesting term of the awards. The Company recognizes its stock-based compensation related to ESPP using a straight-line method over the offering period, which is six months.

The fair value of RSUs is the grant date closing price of our common stock. In the first quarter of 2015, the Company granted two types of PRSUs. The fair value of PRSUs, with service and performance conditions, is the grant date closing price of our common stock. The grant date fair value of the PRSUs requiring the satisfaction of service, performance, and market conditions was determined by using a Monte Carlo simulation model, which utilized multiple input variables that determined the probability of satisfying the market condition requirements. The Company recognizes expense related to RSUs using a straight-line method

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over the vesting term of the awards. The Company recognizes expense for PRSUs, with service and performance conditions, based on the probability of achieving the performance criteria, as defined in the PRSU agreements. The Company recognizes expense for PRSUs with service, performance, and market conditions based on the probability of achieving the performance conditions as long as the requisite service is rendered, even if the market conditions are not met. PRSUs are expensed using the graded vesting attribution method over the requisite service period.

The Company records stock-based compensation for options, RSUs and PRSUs granted net of estimated forfeiture rates. The Company estimates forfeiture rates at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical forfeitures to estimate its future forfeiture rates.

The fair value of the Company's stock-based awards was estimated based on the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Option grants:				
Expected volatility	21 %	37 %	21% -31%	37 - 40%
Expected dividends	—	—	—	—
Expected term of options (in years)	3.5	3.5	3.5	3.5
Risk-free interest rate	1.2 %	1.3 %	1.1 %	1.1 %
ESPP: (i)				
Expected volatility	— %	— %	29 %	36 %
Expected dividends	—	—	—	—
Expected term of ESPP (in years)	—	—	0.5	0.5
Risk-free interest rate	— %	— %	0.1 %	0.1 %
PRSUs with market conditions:				
Expected volatility	— %	— %	30% - 39%	— %
Expected dividends	—	—	—	—
Risk-free interest rate	— %	— %	1.0 %	— %

(i) ESPP purchases are scheduled for the last day of January and July of each year.

The allocations of the stock-based compensation, net of estimated income tax benefit, for the three and six months ended June 30, 2015 and 2014 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cost of service revenues	$1,480	$1,454	$3,018	$2,918
Research and development	5,228	5,214	10,288	9,876
Sales and marketing	5,143	5,137	9,912	9,843
General and administrative	3,455	3,556	7,178	6,970
Total stock-based compensation	15,306	15,361	30,396	29,607
Estimated tax benefit of stock-based compensation	(4,059)	(4,189)	(8,099)	(8,051)
Total stock-based compensation, net of estimated tax benefit	$11,247	$11,172	$22,297	$21,556

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Stock Option Activity

A summary of stock option activity through June 30, 2015 is presented below (in thousands, except per share amounts):

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	7,186	$35.82	4.25	$31,514
Granted	471	$42.59		
Exercised	(957)	$27.87		
Forfeited or expired	(366)	$37.62		
Outstanding at June 30, 2015	6,334	$37.43	4.25	$70,928
Exercisable at June 30, 2015	3,884	$37.12	3.50	$45,050

Restricted Stock Unit Activity

A summary of RSU activity, excluding PRSUs, through June 30, 2015 is presented below (in thousands, except per share amounts):

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2014	2,513	—
Awarded	930	$43.07
Released	(528)	$39.95
Forfeited	(191)	$38.05
Outstanding at June 30, 2015	2,724	—

Performance-Based Restricted Stock Unit Activity

During the first quarter of 2015, the Company granted approximately 237,000 target PRSUs.

- Approximately 149,000 of these PRSUs have a performance period that is the 2015 fiscal year. If certain performance goals are met, PRSUs would become eligible to vest, and vest ratably over four years on the annual anniversary dates of the vesting commencement date, contingent upon the recipient’s continued service to the company. Certain participants have the ability to receive up to 125% of the target number of shares originally granted. The Compensation Committee of the Board of Directors will certify actual performance achievement for these PRSUs in the first quarter of 2016. The weighted-average grant date fair value of these PRSUs was $43.06 per share.
- Approximately 88,000 of these PRSUs have a performance period that is the three year period beginning with January 1, 2015 through December 31, 2017 with certain revenue based performance goals and the achievement of an objective relative total stockholder return against other companies in the S&P Software & Services Select Index measured over a three-year performance period. Participants have the ability to receive up to 188% of the target number of shares originally granted. The Compensation Committee of the Board of Directors will certify actual performance achievement for these PRSUs in the first quarter of 2018, after which they will vest immediately in full. The weighted-average grant date fair value of 2015 PRSUs was $46.93 per share, which was determined using a Monte Carlo simulation model.

During the first quarter of 2014, the Company granted approximately 223,000 target PRSUs. The performance period for the PRSUs granted in 2014 was the 2014 fiscal year. In the first quarter of 2015, the Compensation Committee of the Board of Directors certified actual performance achievement for PRSUs granted in 2014, and as a result, 138,000 shares became eligible to vest. The achieved PRSUs vest ratably over two or four years on the annual anniversary dates of the grant, contingent upon the recipient’s continued service to the Company. Certain participants had the ability to receive up to 125% to 150% of the target number of shares originally granted. The weighted-average grant date fair value of PRSUs granted in 2014 was $38.25 per share.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

A summary of PRSU activity based upon PRSUs granted in 2013 and 2014, certified and actually achieved through June 30, 2015 is presented below (in thousands):

	Number of Shares
Outstanding at December 31, 2014	306
Achieved	138
Released	(136)
Forfeited	(32)
Outstanding at June 30, 2015	276

The grant date fair value of PRSUs released during the six months ended June 30, 2015 was approximately $5.1 million.

A summary of PRSU activity during the six months ended June 30, 2015 for awards that have not been certified by the Compensation Committee of the Board of Directors as achieved is presented below (in thousands):

	Number of Shares
Outstanding at December 31, 2014	—
Granted	237
Forfeited	(5)
Outstanding at June 30, 2015	232

As of June 30, 2015, there were approximately 508,000 unvested PRSUs with a grant date fair value of $20.8 million.

Note 9. Income Taxes

The Company's effective tax rates were 42% and 34% for the three months ended June 30, 2015 and 2014, respectively, and 39% and 34% for the six months ended June 30, 2015 and 2014, respectively. The rates for the three and six months ended June 30, 2015 were higher than the federal statutory rate of 35% mainly due to a change in management assertion with respect to our foreign undistributed earnings. The rates for the three and six months ended June 30, 2014 were similar to the federal statutory rate of 35% as the benefits of foreign earnings in lower-tax jurisdictions and the domestic manufacturing deduction were offset by nondeductible stock-based compensation, state income taxes, and the accrual of reserves related to unrecognized tax benefits. The tax rates for three and six months ended June 30, 2015 and 2014 do not include the federal research and development tax credit benefit as the credit was not reinstated for the respective interim periods.

As of December 31, 2014, the Company had approximately $128.2 million of undistributed earnings from its foreign subsidiaries for which the Company had not provided U.S. income or applicable foreign withholding taxes. During the three months ended June 30, 2015, the Company changed its assertion for undistributed foreign earnings and expects to use its available cash that the Company holds in foreign jurisdictions as part of the acquisition consideration for the pending Merger. Consequently, the Company provided for U.S. income taxes (after the consideration of foreign tax credit) and applicable foreign withholding taxes on all foreign undistributed earnings as these earnings will be repatriated to the U.S.

The repatriation is expected to generate a total of $5.6 million of additional U.S. income tax expense in 2015. This includes $7.4 million of U.S. income tax expense for the current year earnings generated by foreign subsidiaries and $1.8 million of net discrete tax benefit recorded for prior year cumulative undistributed earnings in the three months ended June 30, 2015. The current and prior year income tax benefit from corresponding foreign tax credits are included in the computation of the U.S. income tax expenses provided on undistributed foreign earnings because the Company believes it is more-likely-than-not that it will realize the benefit from these foreign tax credits before they expire.

ASC 740, Income Taxes, provides for the recognition of deferred tax assets if realization of such assets is more likely than not. In assessing the need for any additional valuation allowance for the three months ended June 30, 2015, the Company considered all available evidence both positive and negative, including historical levels of income, legislative developments, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies.

As a result of this analysis for the three months ended June 30, 2015, consistent with prior periods, it was considered more likely than not that the Company's deferred tax assets would be realized except for any increase to the deferred tax assets related to the California research and development credit and certain operating losses incurred outside of the United States. A valuation allowance has been recorded against this portion of the state tax credit, even though this attribute has an indefinite life. In addition, the Company recorded a valuation allowance related to the deferred tax assets attributable to certain operating losses incurred outside of the United States.

The unrecognized tax benefits related to ASC 740, if recognized, would impact the income tax provision by $28.2 million and $26.6 million as of June 30, 2015 and 2014, respectively. The Company has elected to include interest and penalties as a component of income tax expenses. Accrued interest and penalties as of June 30, 2015 and 2014 were approximately $2.7 million and $3.7 million, respectively. As of June 30, 2015, the gross unrecognized tax benefit was approximately $34.3 million.

The Company files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The Company has been informed by certain state and foreign taxing authorities that it was selected for examination. Most state and foreign jurisdictions have three to six open tax years at any point in time. The field work for certain state and foreign audits have commenced and are at various stages of completion as of June 30, 2015. Although the outcome of any tax audit is uncertain, the Company believes that it has adequately provided in its financial statements for any additional taxes that it may be required to pay as a result of these examinations. The Company regularly assesses the likelihood of outcomes resulting from these examinations to determine the adequacy of its provision for income taxes and believes its current reserve to be reasonable. If tax payments ultimately prove to be unnecessary, the reversal of these tax liabilities would result in tax benefits in the period that the Company had determined such liabilities were no longer necessary. However, if an ultimate tax assessment exceeds its estimate of tax liabilities, an additional tax provision might be required.

Note 10. Net Income per Common Share

The following table sets forth the calculation of basic and diluted net income per share for the three months ended June 30, 2015 and 2014 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$18,883	$22,829	$40,440	$47,682
Weighted-average shares of common stock used to compute basic net income per share (excluding unvested restricted stock)	104,574	109,739	105,247	109,453
Effect of dilutive common stock equivalents:				
Dilutive effect of unvested restricted stock units	1,088	559	1,013	606
Dilutive effect of employee stock options	903	1,303	731	1,711
Shares used in computing diluted net income per common share	106,565	111,601	106,991	111,770
Basic net income per common share	$0.18	$0.21	$0.38	$0.44
Diluted net income per common share	$0.18	$0.20	$0.38	$0.43
Weighted average stock options and restricted stock units excluded from calculation due to anti-dilutive effect	611	5,147	2,254	4,900

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 11. Commitments and Contingencies
Lease Obligations
The Company leases certain office facilities under various non-cancelable operating leases, which expire at various dates through 2024 and require the Company to pay operating costs, including property taxes, insurance, and maintenance.
Future minimum lease payments as of June 30, 2015 under non-cancelable operating leases with original terms in excess of one year are summarized as follows (in thousands):

	Operating Leases
Remaining 2015	$6,212
2016	10,420
2017	8,946
2018	7,774
2019	6,324
Thereafter	8,126
Total future minimum operating lease payments	$47,802

Warranties
The Company generally provides a warranty for its software products and services to its customers for a period of three to six months. The Company’s software products’ media are generally warranted to be free from defects in materials and workmanship under normal use, and the products are also generally warranted to substantially perform as described in certain Company documentation and the product specifications. The Company’s services are generally warranted to be performed in a professional manner and to materially conform to the specifications set forth in a customer’s signed contract. In the event there is a failure of such warranties, the Company generally will correct or provide a reasonable work-around or replacement product. To date, the Company’s product warranty expense has not been significant. The warranty accrual as of June 30, 2015 and December 31, 2014 was not material.
Indemnification
The Company's software license agreements generally include certain provisions for indemnifying the customer against losses, expenses, liabilities, and damages that may be awarded against the customer in the event the Company’s software is found to infringe upon a patent, copyright, trademark, or other proprietary right of a third party. The agreements generally limit the scope of and remedies for such indemnification obligations in a variety of industry-standard respects, including but not limited to certain time and scope limitations and a right to replace an infringing product with a non-infringing product.
The Company believes its internal development processes and other policies and practices limit its exposure related to these indemnification provisions. In addition, the Company requires its employees to sign a proprietary information and inventions agreement, which assigns the rights to its employees’ development work to the Company. To date, the Company has not had to reimburse any of its customers for any losses related to these indemnification provisions, and no material claims against the Company are outstanding as of June 30, 2015. The Company cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions due to the limited and infrequent history of prior indemnification claims.
As permitted under Delaware law, the Company has agreements whereby the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was serving, at our request, in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has director and officer insurance coverage that reduces the Company's exposure and enables the Company to recover a portion of any future amounts paid. The Company believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

The Company accrues for loss contingencies when available information indicates that it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated in accordance with ASC 450, Contingencies.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Derivative Financial Instruments
The Company uses derivative instruments to manage its exposure to fluctuations in certain foreign currency exchange rates which exist as part of ongoing business operations. See Note 1. Summary of Significant Accounting Policies, Note 5. Accumulated Other Comprehensive Income (Loss), and Note 6. Derivative Financial Instruments of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for a further discussion.
Litigation
The Company is a party to various legal proceedings and claims arising from the normal course of its business activities, including proceedings and claims related to patents and other intellectual property related matters.
On April 16, 2015, two stockholder class action complaints were filed in the Court of Chancery of the State of Delaware on behalf of a putative class of the Company's stockholders: Luciano Scotto v. Sohaib Abbasi et al., Case No. 10913 (filed April 16, 2015) and Janice Ridgeway v. Informatica Corporation et al., Case No. 10917 (filed April 16, 2015). The two complaints were then consolidated by court order on May 5, 2015 and re-captioned as In re Informatica Corporation Shareholder Litigation, Consolidated C.A. No. 10913-VCL (the "Consolidated Complaint"). On May 13, 2015, a third complaint, Janet Daniels v. Informatica Corp., et al., Case No. 11016, was filed in the Court of Chancery of the State of Delaware (the "Daniels Complaint") The complaints generally allege that, in connection with the acquisition of the Company by Newco, the Informatica directors breached their fiduciary duties owed to the Company's stockholders by agreeing to sell the company for purportedly inadequate consideration, engaging in a flawed sales process, and agreeing to a number of purportedly preclusive deal protection devices. The complaints further allege that Newco, Merger Sub, the Permira Funds, CPPIB, and the Company aided and abetted the Board of Directors in the alleged breaches of fiduciary duties. The Consolidated Complaint and the Daniels Complaint also allege that the Informatica directors breached their fiduciary duties by omitting material information necessary for stockholders to make an informed vote. The complaints seek, among other things, an order enjoining the close of the transaction or, in the event that the transaction is consummated, an award of rescission and/or rescissory damages.
The Company reviews the status of each matter and records a provision for a liability when it is considered both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed quarterly and adjusted as additional information becomes available. If both of the criteria are not met, the Company assesses whether there is at least a reasonable possibility that a loss, or additional losses, may be incurred. If there is a reasonable possibility that a material loss may be incurred, the Company discloses the estimate of the possible loss, range of loss, or a statement that such an estimate cannot be made.
Litigation is subject to inherent uncertainties. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position and results of operation for the period in which the unfavorable outcome occurred, and potentially in future periods.
Note 12. Significant Customer Information and Segment Information
The Company is organized and operates in a single segment: the design, development, marketing, and sales of software solutions. The Company's chief operating decision maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance. The Company markets its products and services in the United States and in foreign countries through its direct sales force and indirect distribution channels.
No customer accounted for more than 10% of revenue in the three and six months ended June 30, 2015 and 2014. At June 30, 2015 and December 31, 2014, no customer accounted for more than 10% of the accounts receivable balance.
North America revenues include the United States and Canada. Revenue from international customers (defined as those customers outside of North America) accounted for 32% and 36% of total revenues during the three months ended June 30, 2015 and 2014, respectively, and 33% and 36% of total revenues for the six months ended June 30, 2015 and 2014, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Total revenue by geographic region is summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
North America	$179,222	$159,973	$343,095	$313,817
Europe, the Middle East, and Africa	56,762	60,581	113,467	120,783
Other	25,882	30,159	55,840	59,210
Total revenues	$261,866	$250,713	$512,402	$493,810

Property and equipment, net by geographic region are summarized as follows (in thousands):

	June 30, 2015	December 31, 2014
Property and equipment, net:		
North America	$139,567	$143,482
Europe, the Middle East, and Africa	8,973	10,902
Other	3,967	5,324
Total property and equipment, net	$152,507	$159,708

Note 13. Acquisitions

Acquisition in Fiscal Year 2014:

Proact Business Transformation Inc.

In November 2014, the Company acquired assets of Proact Business Transformation Inc. (“Proact”) for $4.0 million in cash. Proact provides enterprise architecture business transformation solutions including frameworks, methods, and industry reference models to assist with strategic planning of clients' information technology needs. The purchase was accounted for using the acquisition method. Total assets acquired were approximately $4.0 million of which approximately $2.7 million and $1.3 million was allocated to goodwill and identifiable intangible assets, respectively. The goodwill is deductible for tax purposes.

StrikeIron

In June 2014, the Company acquired all outstanding shares of StrikeIron, Inc. (“StrikeIron”), for aggregate consideration of approximately $54.6 million. StrikeIron provides cloud-based data-as-a-service for email and contact validation, and will enable the Company to enhance its cloud-based product portfolio. The goodwill is not deductible for tax purposes.

Approximately $8.3 million of the consideration otherwise payable to former StrikeIron stockholders was placed into an escrow fund and held as partial security for the indemnification obligations of the former StrikeIron stockholders. The escrow fund will remain in place until September 2015.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes the fair value of assets acquired and liabilities assumed of $50.5 million and the acquiree's transaction related costs and debt settlement of $4.1 million, which were paid by the Company (in thousands):

Assumed liabilities, net of assets	$(3,499)
Identifiable intangible assets:	
Developed and core technology	13,900
Customer relationships	3,500
Covenants not to compete	450
Trade names	40
Total identifiable net assets	14,391
Goodwill	36,116
Total assets acquired and liabilities assumed	50,507
Acquiree's transaction related costs and debt settlement	4,138
Total	$54,645

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of the federal securities laws, particularly statements referencing our expectations relating to new product introductions, software revenues, service revenues, international revenues, potential future revenues, cost of software revenues, cost of service revenues, amortization of acquired technology, operating expenses, amortization of intangible assets, the sufficiency of our cash balances and cash flows for the next 12 months, our stock repurchase programs, investment and potential investments of cash or stock to acquire or invest in complementary businesses, products, or technologies, the impact of recent changes in accounting standards, market risk sensitive instruments, contractual obligations, and assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “intends,” “plans,” “anticipates,” “estimates,” “potential,” or “continue,” or the thereof, or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, these expectations or any of the forward-looking statements could prove to be incorrect, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to risks and uncertainties, including but not limited to the factors set forth in this Report under Part II, Item 1A. Risk Factors. All forward-looking statements and reasons why results may differ included in this Report are made as of the date of the filing of this Report, and we assume no obligation to update any such forward-looking statements or reasons why actual results may differ.

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes thereto appearing in Part I, Item 1 of this Report.

Overview

We are the leading independent provider of enterprise data integration software and services. We believe data is one of an organization’s most strategic assets, and our solutions enable a wide variety of complex, enterprise-wide data integration initiatives. Our diverse product portfolio centers on data: we offer a variety of solutions, both on-premise and in the cloud, for data integration, data quality, big data, master data management (MDM), data security, data exchange, and data preparation, among others.

We generate revenues from the sale of software and services. We receive software revenues from licensing our products under perpetual licenses directly to end users and indirectly through our partners. We also receive an increasing amount of software revenues from our customers and partners under subscription-based licenses for a variety of our cloud and data-as-a-service offerings. We receive service revenues from maintenance and support services, and professional services, consisting of consulting and education services, that we perform for customers that license our products either directly or indirectly. Historically, purchasing patterns in the software industry have

followed quarterly and seasonal trends that we expect to continue. We typically receive a substantial portion of our new license orders in the last month of each quarter and sometimes in the last few weeks or days of each quarter, though such fluctuations are mitigated somewhat by recognition of backlog orders. Moreover, demand for our software products and services is generally highest in the fourth quarter and lowest in the first quarter of each year.
We license our software and provide services to end-user customers in a wide variety of industries located in over 80 countries, including automotive, energy and utilities, entertainment/media, financial services, healthcare, insurance, manufacturing, public

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sector, retail, services, technology, telecommunications, and travel/transportation. During the three months ended June 30, 2015, our largest vertical industry sectors for new license orders were financial services, healthcare and telecommunications. Approximately 68% and 64% of our total revenue during the three months ended June 30, 2015 and 2014, respectively, was from North America, which includes the U.S. and Canada. Historically, most of our international revenue has been generated in Europe, the Middle East and Africa (EMEA). No customer accounted for more than 5% of total revenue in the first two quarters of 2015 or the full year 2014, 2013, and 2012. On occasion, foreign currency exchange rates have been particularly volatile and have affected our financial results. Recent fluctuations in foreign currency exchange rates may negatively affect our revenues in the near term, and we expect current exchange rate conditions to continue to adversely impact our revenue growth for the full year of 2015. Our strategic partners include systems integrators, resellers and distributors, original equipment manufacturers (OEMs), and strategic technology partners, including enterprise application providers, database vendors, and enterprise information integration vendors.

Total revenues increased by 4% in the three months ended June 30, 2015 to $261.9 million from $250.7 million in the comparable period a year ago. Our software revenues increased by 7% in the three months ended June 30, 2015 from the same period in 2014 due to a 39% increase in subscription revenues and a 1% increase in license revenues. Service revenues increased by 3% in the three months ended June 30, 2015 from the same period in 2014 due to a 6% growth in maintenance revenues offset by an 8% decrease in consulting and education services.

Total revenues increased by 4% in the six months ended June 30, 2015 to $512.4 million from $493.8 million in the comparable period a year ago. Software revenues increased by 4% in the six months ended June 30, 2015 from the same period in 2014 due to a 43% increase in subscription revenues offset by a 3% decrease in license revenues. Service revenues increased by 4% in the six months ended June 30, 2015 from the same period in 2014 due to a 6% growth in maintenance revenues offset by a 3% decrease in consulting and education services.

For the three months ended June 30, 2015 and 2014, our income from operations calculated in accordance with U.S. generally accepted accounting principles (GAAP) was $29.5 million and $33.8 million, respectively. Our non-GAAP income from operations was $57.0 million and $54.6 million in the three months ended June 30, 2015 and 2014, respectively. For the three months ended June 30, 2015 and 2014, our GAAP net income was $18.9 million and $22.8 million, respectively. Our non-GAAP net income was $39.8 million and $38.5 million in the three months ended June 30, 2015 and 2014, respectively. See Non-GAAP Financial Measures below for a reconciliation of GAAP to non-GAAP financial measures.

For the six months ended June 30, 2015 and 2014, our income from operations calculated in accordance with GAAP was $61.7 million and $70.6 million, respectively. Our non-GAAP income from operations was $109.5 million and $111.3 million in the six months ended June 30, 2015 and 2014, respectively. For the six months ended June 30, 2015 and 2014, our GAAP net income was $40.4 million and $47.7 million, respectively. Our non-GAAP net income was $76.7 million and $78.1 million in the six months ended June 30, 2015 and 2014, respectively. See Non-GAAP Financial Measures below for a reconciliation of GAAP to non-GAAP financial measures.

We believe that recent trends in technology are enhancing our growth opportunities. In particular, the continued adoption of cloud services, the diversity of customer, social and mobile interaction data, the richness of big data and the vulnerabilities in securing data are redefining business computing. We are focused on four distinct market opportunities for long-term growth aligned with these trends: cloud integration, MDM, data integration for next-generation analytics and data security. Our growth strategies include expanding to more cloud ecosystems and delivering more types of cloud services; offering more MDM solutions for critical business priorities, the cloud and big data; delivering more productivity tools for big data for IT developers and more data preparation capabilities for business users; and securing more types of data and offering innovative security intelligence capabilities. Recently, we launched Informatica Rev to empower business users to be self-sufficient in data integration and preparation for analytics, and Secure@Source, a new product that enables customers to discover and classify sensitive data and assess risks associated with data proliferation.

We are continuing to evolve our business model to increase subscription revenue and aggressively investing in our go-to-market strategies for our newer products, while remaining committed to delivering innovative solutions. We will offer our newer products, such as Informatica Rev and Secure@Source, as well as innovations in Informatica

Cloud, on a subscription basis. We will continue to offer our established on-premise products as licensed software. In addition, we intend to significantly expand our subscription sales force and increase sales specialist staffing and marketing efforts.

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While we believe that these recent technological trends and growth strategies will present significant opportunities, they also pose significant challenges and risks. Key factors that we believe affect our ability to achieve our strategic plans and grow our business include, among others:

- competing effectively, particularly on the basis of functionality and price, against a variety of different vendors offering existing data integration software products, vendors of new and emerging technologies, and hand-coded, custom-built data integration solutions;
- introducing new products and services and enhancements to existing products and services on a regular basis, including integrating acquired products and services, to address the needs of our customers and to respond to rapid technological changes;
- accurately forecasting sales and trends in our business, including the quality and timing of sales pipeline generation, the size of our sales pipeline and the conversion of the sales pipeline into actual sales, and the length of our sales cycle;
- attracting, training and retaining our key personnel, especially our sales force, as well as maintaining appropriate levels of sales force productivity and turnover rates; and
- continuing to evolve our strategy and business model for our subscription offerings.

Furthermore, we continue to invest in our international operations, which involve significant financial and operational risks including exposure to foreign currency exchange rate fluctuations and macroeconomic or geopolitical conditions.

To address these key factors, and other challenges and risks, we focus on a number of actions, including devoting significant resources to the research and development of products and services; broadening our distribution capability worldwide; enabling our sales force and distribution channel, including by investing in training programs and new product functionalities, key differentiators, and key business values; aligning our worldwide field and marketing operations with company-wide initiatives; implementing pipeline generation and pipeline management initiatives and more rigorous sales planning and processes; strengthening our strategic partnerships; and strategic acquisitions of complementary businesses, products, and technologies. If we are unable to execute these actions or otherwise successfully address any significant challenges and risks, we may not be able to continue to grow our business or achieve our long-term growth plans.

For further discussion regarding these and related risks, see Risk Factors in Part II, Item 1A of this Report.

Pending Merger

On April 6, 2015, we entered into an agreement and plan of merger (the “merger agreement”) to be acquired by the Canada Pension Plan Investment Board and investment funds advised by Permira Advisers LLC for $48.75 in cash for each share of our common stock. Consummation of the merger is subject to customary closing conditions, including, without limitation, the absence of certain legal impediments, the expiration or termination of the required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, antitrust regulatory approval in the European Union, Turkey, Russia and Israel, the receipt of written notice from the Committee on Foreign Investment in the United States ("CFIUS") that it has concluded its review of the joint voluntary notice that will be made by the parties to the merger agreement pursuant to Section 721 of the Defense Production Act, as amended, with a determination that there are no unresolved national security concerns with respect to the transaction contemplated by the merger agreement, and approval by our stockholders. We have received antitrust regulatory approval (or the required waiting periods have expired or terminated) in the European Union, Turkey, Russia, Israel, and under the HSR Act. In addition, we have received the required written notice from CFIUS. Furthermore, on June 23, 2015, we held a special meeting of stockholders, who voted on and approved the merger.

See Note 1 - Summary of Significant Accounting Policies of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for additional details.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States, which require us to make estimates, judgments, and assumptions. We believe that the estimates, judgments, and assumptions upon which we rely are reasonable based upon information available to us at the time that these assumptions, judgments, and estimates are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Any material differences between these estimates and actual results will impact our consolidated financial statements. On a regular basis, we evaluate our estimates, judgments, and assumptions and make changes accordingly. We also discuss our critical accounting estimates with the Audit Committee of the Board of Directors. We believe that the estimates, judgments, and assumptions involved in the accounting for revenue recognition, income taxes, business combinations, impairment of goodwill and intangible assets, stock-based compensation, and allowance for doubtful accounts have the greatest potential impact on our

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consolidated financial statements, so we consider these to be our critical accounting policies. The critical accounting estimates associated with these policies are discussed in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended December 31, 2014.

There have been no changes to our critical accounting policies since the end of 2014.

Recent Accounting Pronouncements

For recent accounting pronouncements, see Note 1. Summary of Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

Results of Operations

The following table presents certain financial data for the three and six months ended June 30, 2015 and 2014 as a percentage of total revenues:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015		2014		2015		2014	
Revenues:								
Software	42	%	41	%	42	%	42	%
Service	58		59		58		58	
Total revenues	100		100		100		100	
Cost of revenues:								
Software	1		1		1		1	
Service	16		18		16		17	
Amortization of acquired technology	1		1		1		2	
Total cost of revenues	18		20		18		20	
Gross profit	82		80		82		80	
Operating expenses:								
Research and development	19		19		20		19	
Sales and marketing	40		38		40		37	
General and administrative	8		8		8		8	
Amortization of intangible assets	—		1		—		1	
Acquisitions and other charges	3		—		2		—	
Total operating expenses	70		66		70		65	
Income from operations	12		14		12		15	
Interest income	—		—		—		—	
Interest expense	—		—		—		—	
Other income (expense), net	1		—		1		—	
Income before income taxes	13		14		13		15	
Income tax provision	6		5		5		5	
Net income	7	%	9	%	8	%	10	%

Revenues

Total revenues during the three months ended June 30, 2015 increased by 4% to $261.9 million compared to $250.7 million for the same period in 2014. Our software revenues slightly increased by 7% during the three months ended June 30, 2015 from the same period in 2014 due to a 39% increase in subscription revenues and a 1% increase in license revenues. The increase in subscription revenues was due to growth in the installed customer base and higher customer demand for our subscription offerings. The increase in license revenues was primarily due to an increase in the average transaction price of license transactions partially offset by a decrease in the number of transactions and foreign currency fluctuations. Service revenues increased by 3% during the

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three months ended June 30, 2015 from the same period in 2014 due to a 6% growth in maintenance revenues offset by an 8% decrease in consulting and education services. The maintenance revenues growth was attributable to the increased size of our installed customer base, and the decrease in consulting and education services revenues was primarily driven by the decrease in consulting revenue.

During the six months ended June 30, 2015, total revenues increased by 4% to $512.4 million from $493.8 million in the comparable period a year ago. Software revenues increased by 4% during the six months ended June 30, 2015 from the same period in 2014 due to a 43% increase in subscription revenues offset by a 3% decrease in license revenues. The increase in subscription revenues was due to growth in the installed customer base and higher customer demand of subscription offerings. The decrease in license revenues reflected a decrease in the number of transactions partially offset by an increase in average transaction size of license transactions during the six months ended June 30, 2015 compared to the same period in 2014. Service revenues increased by 4% during the six months ended June 30, 2015 from the same period in 2014 due to a 6% growth in maintenance revenues, offset by a 3% decrease in consulting and education services. The maintenance revenues growth was attributable to the increased size of our installed customer base, and the decrease in consulting and education services revenues was primarily driven by changes in foreign currency exchange rates.

The average transaction amount for license orders greater than $100,000 during the three months ended June 30, 2015, including upgrades for which we charge customers an additional fee, increased to $544,000 from $465,000 in the same period of 2014. The average transaction amount for orders greater than $100,000 for the six months ended June 30, 2015, including upgrades for which we charge our customers an additional fee, increased to $550,000 from $439,000 in the same period of 2014. We offer two types of upgrades: (1) upgrades that are not part of the post-contract services for which we charge customers an additional fee, and (2) upgrades that are part of the post-contract services that we provide to our customers at no additional charge, when and if available.

The number of software transactions greater than $1.0 million remained at 23 during the three months ended June 30, 2015 consistent with the same period in 2014. The number of transactions greater than $1.0 million increased to 40 during the six months ended June 30, 2015 from 36 in the same period of 2014.

The following table and discussion compare our revenues for the three and six months ended June 30, 2015 and 2014 (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Software revenues:						
License	$88,317	$87,293	1%	$170,696	$175,804	(3)%
Subscription	22,529	16,162	39%	43,876	30,694	43%
Total software revenues	110,846	103,455	7%	214,572	206,498	4%
Service revenues:						
Maintenance	118,894	112,494	6%	234,245	221,765	6%
Consulting and education	32,126	34,764	(8)%	63,585	65,547	(3)%
Total service revenues	151,020	147,258	3%	297,830	287,312	4%
Total revenues	$261,866	$250,713	4%	$512,402	$493,810	4%

Software Revenues

Our software revenues were $110.8 million (or 42% of total revenues) for the three months ended June 30, 2015 compared to $103.5 million (or 41% of total revenues) for the three months ended June 30, 2014, representing an increase of $7.4 million (or 7%). Our software revenues were $214.6 million (or 42% of total revenues) for the six months ended June 30, 2015 compared to $206.5 million (or 42% of total revenues) for the six months ended June 30, 2014, representing an increase of $8.1 million (or 4%).

License Revenues

Our license revenues increased to $88.3 million (or 34% of total revenues) for the three months ended June 30, 2015 from $87.3 million (or 35% of total revenues) for the three months ended June 30, 2014. Our license revenues decreased to $170.7 million (or 33% of total revenues) for the six months ended June 30, 2015 from $175.8 million (or 36% of total revenues) for the six months ended June 30, 2014. The increase in license revenues of $1.0 million (or 1%) for the three months ended June 30,

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2015 compared to the same period in 2014 was primarily due to an increase in the average transaction price of license transactions partially offset by a decrease in the number of transactions and foreign currency fluctuations. The decrease of $5.1 million (or 3%) in license revenues for the six months ended June 30, 2015 compared to the same period in 2014 were primarily due to a decrease in the number of transactions partially offset by an increase in average transaction size of license transactions in the first six months of 2015, compared to the same period in 2014.

Subscription Revenues

Subscription revenues, which primarily represent revenues from customers and partners under subscription-based licenses for a variety of cloud and data-as-a-service offerings, increased to $22.5 million (or 9% of total revenues) for the three months ended June 30, 2015 compared to $16.2 million (or 6% of total revenues) for the three months ended June 30, 2014. Subscription revenues increased to $43.9 million (or 9% of total revenues) for the six months ended June 30, 2015 from $30.7 million (or 6% of total revenues) for the six months ended June 30, 2014.

The increases of $6.4 million (or 39%) and $13.2 million (or 43%) in subscription revenues for the three months and six months ended June 30, 2015, respectively, compared to the same period in 2014 were primarily due to an increase in the installed base of subscription customers and higher customer demand.

Service Revenues

Maintenance Revenues

Maintenance revenues increased to $118.9 million (or 45% of total revenues) for the three months ended June 30, 2015 compared to $112.5 million (or 45% of total revenues) for the three months ended June 30, 2014. Maintenance revenues increased to $234.2 million (or 46% of total revenues) for the six months ended June 30, 2015 compared to $221.8 million (or 45% of total revenues) for the six months ended June 30, 2014. The increases of $6.4 million (or 6%) and $12.5 million (or 6%) in maintenance revenues for the three and six months ended June 30, 2015, respectively, compared to the same periods in 2014 were primarily due to the increasing size of our installed customer base.

Consulting and Education Revenues

Consulting and education revenues decreased to $32.1 million (or 12% of total revenues) for the three months ended June 30, 2015 compared to $34.8 million (or 14% of total revenues) for the three months ended June 30, 2014. Consulting and education revenues decreased to $63.6 million (or 12% of total revenues) for the six months ended June 30, 2015 compared to $65.5 million (or 13% of total revenues) for the six months ended June 30, 2014. The decreases of $2.6 million (or 8%) and $2.0 million (or 3%) in consulting and education revenues for the three and six months ended June 30, 2015, respectively, compared to the same periods in 2014 were primarily driven by changes in foreign currency exchange rates.

International Revenues

Our international revenues were $82.6 million (or 32% of total revenues) and $90.7 million (or 36% of total revenues) for the three months ended June 30, 2015 and 2014, respectively. Our international revenues were $169.3 million (or 33% of total revenues) and $180.0 million (or 36% of total revenues) for the six months ended June 30, 2015 and 2014, respectively. The decrease of $8.1 million (or 9%) in international revenues for the three months ended June 30, 2015 compared to the same period in 2014 was due to decreases in software revenues in Latin America, maintenance revenues in EMEA, and consulting revenues in EMEA and Asia-Pacific. The decrease in software revenues in Latin America during the three months ended June 30, 2015 was driven by a decline in license revenues due primarily to a decrease in license orders and due to the three months ended June 30, 2014 being benefited by the recognition of previously deferred amounts where revenue is recognized upon cash receipt. The decreases in maintenance revenues and consulting revenues in EMEA and Asia-Pacific were primarily driven by foreign currency fluctuations offset by an increase in our installed customer base. The decrease of $10.7 million (or 6%) in international revenues for the six months ended June 30, 2015 compared to the same period in 2014 was due to decreases in software revenues in Latin America offset by an increase in Asia-Pacific, and decreases in maintenance and consulting revenues in EMEA. The decrease in software revenues in Latin America during the six months ended June 30, 2015 was driven by a decline in license revenues due primarily to a decrease in license orders and due to the six months ended June 30, 2014 being benefited by the recognition of previously deferred amounts where revenue is recognized upon cash receipt. The increase in software revenues in Asia Pacific was driven by higher license bookings due to broader adoption of our software products and increase in our installed customer base. The decreases in maintenance revenues and consulting revenues were primarily driven by foreign currency fluctuations offset by an increase in our installed customer base.

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Potential Future Revenues (New Orders, Backlog, and Deferred Revenues)

Our potential future revenues include backlog consisting primarily of (1) product orders (primarily perpetual licenses) that have not shipped as of the end of a given quarter, (2) product orders received from certain distributors, resellers, OEMs, and end users not included in deferred revenues, where revenue is recognized after cash receipt (collectively (1) and (2) above are referred as “aggregate backlog”), and (3) deferred revenues. Our deferred revenues consist primarily of the following: (1) maintenance revenues that we recognize over the term of the contract, typically one year, (2) subscription offerings that are recognized over the period of performance as services are provided, (3) license product orders that have shipped but where the terms of the license agreement contain acceptance language or other terms that require that the license revenues be deferred until all revenue recognition criteria are met or recognized ratably over an extended period, and (4) consulting and education services revenues that have been prepaid but for which services have not yet been performed.

We typically ship products shortly after the receipt of an order, which is common in the software industry, and historically our backlog of license orders awaiting shipment at the end of any given quarter has varied. Aggregate backlog and deferred revenues at June 30, 2015 were approximately $368 million compared to $336.2 million at June 30, 2014 and $374.9 million at December 31, 2014. The change in the second quarter of 2015 from the comparable period of 2014 was primarily due to increases in deferred software and service revenues, partially offset by a decrease in aggregate backlog. The international portion of aggregate backlog and deferred revenues may fluctuate with changes in foreign currency exchange rates. Aggregate backlog and deferred revenues as of any particular date are not necessarily indicative of future results.

Cost of Revenues

The following table sets forth, for the periods indicated, our cost of revenues (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Cost of software revenues	$3,226	$2,450	32 %	$6,602	$5,569	19 %
Cost of service revenues	41,973	43,343	(3)%	82,524	83,572	(1)%
Amortization of acquired technology	2,589	3,286	(21)%	5,339	7,271	(27)%
Total cost of revenues	$47,788	$49,079	(3)%	$94,465	$96,412	(2)%
Cost of software revenues, as a percentage of software revenues	3 %	2 %	1 %	3 %	3 %	— %
Cost of service revenues, as a percentage of service revenues	28 %	29 %	(1)%	28 %	29 %	(1)%

Cost of Software Revenues

Our cost of software revenues is a combination of costs of license and subscription revenues. Cost of license revenues consists primarily of software royalties, product packaging, documentation, and production costs. Cost of subscription revenues consists primarily of fees paid to third party vendors for hosting services related to our subscription services and royalties paid to postal authorities and other vendors that provide content for our data-as-a-service offerings. Cost of software revenues increased to $3.2 million (or 3% of software revenues) for the three months ended June 30, 2015 compared to $2.5 million (or 2% of software revenues) in the same period of 2014. Cost of software revenues increased to $6.6 million (or 3% of software revenues) for the six months ended June 30, 2015 compared to $5.6 million (or 3% of software revenues) in the same period of 2014.

The $0.8 million (or 32%) increase for the three months ended June 30, 2015 compared to the same period in 2014, was primarily due to a $0.9 million increase in software royalties, partially offset by a $0.1 million decrease in fees paid to third party vendors for hosting services. The $1.0 million (or 19%) increase for the six months ended June 30, 2015 compared to the same period in 2014, was primarily due to a $1.5 million increase in software royalties, partially offset by a $0.5 million decrease in fees paid to third party vendors for hosting services and documentation costs.

Cost of Service Revenues

Our cost of service revenues is a combination of costs of maintenance, consulting and education services revenues. Our cost of maintenance revenues consists primarily of costs associated with customer service personnel expenses and royalty fees for maintenance related to third-party software providers. Cost of consulting revenues consists primarily of personnel costs and

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expenses incurred in providing consulting services at customers' facilities. Cost of education services revenues consists primarily of the costs of providing education classes and materials at our headquarters, sales and training offices, and customer locations.

Cost of service revenues decreased to $42.0 million (or 28% of service revenues) during the three months ended June 30, 2015 compared to $43.3 million (or 29% of service revenues) in the same period of 2014. Cost of service revenues decreased to $82.5 million (or 28% of service revenues) for the six months ended June 30, 2015 compared to $83.6 million (or 29% of service revenues) in the same period of 2014.

The $1.4 million (or 3%) decrease during the three months ended June 30, 2015 compared to the same period of 2014 was primarily due to a $2.2 million decrease in subcontractor fees, partially offset by a $0.7 million increase in personnel related costs (including stock-based compensation) and a $0.1 million increase in general overhead costs.

The $1.0 million (or 1%) decrease for the six months ended June 30, 2015 compared to the same period of 2014 was primarily due to $4.0 million decrease in subcontractor fees, partially offset by a $2.2 million increase in personnel related costs (including stock-based compensation), a $0.5 million increase in reimbursable expenses, and a $0.3 million increase in general overhead costs.

Amortization of Acquired Technology

The following table sets forth, for the periods indicated, our amortization of acquired technology (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Amortization of acquired technology	$2,589	$3,286	(21)%	$5,339	$7,271	(27)%

Amortization of acquired technology is the amortization of technologies acquired through business acquisitions and technology licenses. Amortization of acquired technology decreased to $2.6 million for the three months ended June 30, 2015 from $3.3 million in the same period of 2014. Amortization of acquired technology decreased to $5.3 million for the six months ended June 30, 2015 from $7.3 million in the same period of 2014.

The decrease of $0.7 million (or 21%) for the three months ended June 30, 2015, compared to the same period of 2014 was primarily due to a $0.6 million decrease in amortization of certain technologies that were fully amortized after June 30, 2014, and a $0.6 million net decrease in amortization of certain acquired technologies which are amortized using a method based on expected cash flows. Generally cash flows decline over time after an initial ramp up when the technology is first acquired. These decreases were offset by a $0.5 million increase in amortization relating to technologies and backlog acquired in connection with our StrikeIron and Proact acquisitions.

The decrease of $1.9 million (or 27%) for the six months ended June 30, 2015, compared to the same period of 2014 was primarily due to a $1.5 million decrease in amortization of certain technologies that were fully amortized after June 30, 2014, and a $1.4 million net decrease in amortization of certain acquired technologies which are amortized using a method based on expected cash flows. Generally cash flows decline over time after an initial ramp up when the technology is first acquired. These decreases were offset by a $1.0 million increase in amortization relating to technologies and backlog acquired in connection with our StrikeIron and Proact acquisitions.

See Note 13. Acquisitions of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for information regarding our acquisitions.

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Operating Expenses

Research and Development

The following table sets forth, for the periods indicated, our research and development expenses (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Research and development	$50,044	$48,850	2 %	$100,721	$94,535	7 %

Our research and development expenses consist primarily of salaries and other personnel-related expenses, consulting services, facilities, and related overhead costs associated with the development of new products, enhancement and localization of existing products, quality assurance, and development of documentation for our products. Research and development expenses increased to $50.0 million (or 19% of total revenues) and $100.7 million (or 20% of total revenues) for the three and six months ended June 30, 2015, respectively, compared to $48.9 million (or 19% of total revenues) and $94.5 million (or 19% of total revenues) for the three and six months ended June 30, 2014, respectively. All software development costs for software intended to be marketed to customers have been expensed in the period incurred since the costs incurred subsequent to the establishment of technological feasibility have not been significant.

The $1.2 million (or 2%) increase during the three months ended June 30, 2015 compared to the same period of 2014 was primarily due to a $1.1 million increase in personnel-related costs (including stock-based compensation) as a result of increased headcount and a $0.1 million increase in general overhead costs. The $6.2 million (or 7%) increase during the six months ended June 30, 2015 as compared to the same period of 2014 was primarily due to a $6.6 million increase in personnel-related costs (including stock-based compensation) as a result of increased headcount and a $0.1 million increase in general overhead costs, partially offset by a $0.5 million decrease in outside services.

Sales and Marketing

The following table sets forth, for the periods indicated, our sales and marketing expenses (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Sales and marketing	$103,724	$96,784	7 %	$201,126	$188,368	7 %

Our sales and marketing expenses consist primarily of personnel costs, including commissions and bonuses, as well as costs of public relations, seminars, marketing programs, lead generation, travel, and trade shows. Sales and marketing expenses increased to $103.7 million (or 40% of total revenues) and $201.1 million (or 38% of total revenues) for the three and six months ended June 30, 2015, respectively, compared to $96.8 million (or 38% of total revenues) and $188.4 million (or 37% of total revenues) for the three and six months ended June 30, 2014, respectively.

The $6.9 million (or 7%) increase for the three months ended June 30, 2015 compared to the same period in 2014 was primarily due to a $5.2 million increase in personnel-related costs (including stock-based compensation),a $1.6 million increase in outside services and marketing programs, and a $0.1 million increase in general overhead costs. The $12.8 million (or 7%) increase for the six months ended June 30, 2015 compared to the same period in 2014 was primarily due to an $9.4 million increase in personnel-related costs, a $2.5 million increase in outside services and marketing programs, and a $0.9 million increase in general overhead costs.

General and Administrative

The following table sets forth, for the periods indicated, our general and administrative expenses (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
General and administrative	$21,214	$20,019	6 %	$42,313	$40,072	6 %

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Our general and administrative expenses consist primarily of personnel costs for finance, human resources, legal, and general management, as well as professional service expenses associated with recruiting, legal, tax and accounting services. General and administrative expenses increased to $21.2 million (or 8% of total revenues) and $42.3 million (or 8% of total revenues) for the three and six months ended June 30, 2015, respectively, compared to $20.0 million (or 8% of total revenues) and $40.1 million (or 8% of total revenues) for the three and six months ended June 30, 2014.

The $1.2 million (or 6%) increase for the three months ended June 30, 2015 compared to the same period in 2014 was primarily due to a $0.7 million increase in outside services, a $0.3 million increase in general overhead costs, and a $0.2 million increase in personnel-related costs (including stock-based compensation) as a result of increased headcount. The $2.2 million (or 6%) increase for the six months ended June 30, 2015 compared to the same period in 2014 was primarily due to a $1.0 million increase in personnel-related costs (including stock-based compensation) as a result of increased headcount, a $0.8 million increase in outside services, and a $0.4 million increase in general overhead costs. The Company previously presented $1.4 million of expenses related to the Merger and other stockholder matters as part of general and administrative expenses during the three months ended March 31, 2015 that have been reclassified and presented in acquisitions and other charges in the six months ended June 30, 2015. This change in presentation did not affect total operating expenses during the six months ended June 30, 2015.

Amortization of Intangible Assets

The following table sets forth, for the periods indicated, our amortization of intangible assets (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Amortization of intangible assets	$1,031	$1,384	(26)%	$2,122	$2,920	(27)%

Amortization of intangible assets is the amortization of customer relationships, vendor relationships, trade names, and covenants not to compete acquired through prior business acquisitions, and patents acquired. Amortization of intangible assets decreased to $1.0 million (or less than 1% of total revenues) for the three months ended June 30, 2015 from $1.4 million (or 1% of total revenues) for the three months ended June 30, 2014. Amortization of intangible assets decreased to $2.1 million (or less than 1% of total revenues) for the six months ended June 30, 2015 from $2.9 million (or 1% of total revenues) for the six months ended June 30, 2014.

The decrease of $0.4 million (or 26%) in amortization of intangible assets for the three months ended June 30, 2015 compared to the same period in 2014 was primarily due to a $0.4 million decrease in amortization of certain intangibles that were fully amortized after June 30, 2014 and a $0.4 million net decrease in amortization of certain intangibles which are amortized using a method based on expected cash flows. Generally cash flows decline over time after an initial ramp up when the technology is first acquired. These decreases were offset by a $0.4 million increase in amortization primarily related to intangibles acquired in connection with our StrikeIron acquisition.

The decrease of $0.8 million (or 27%) in amortization of intangible assets for the six months ended June 30, 2015 compared to the same period in 2014 was primarily due to a $0.8 million of decrease in amortization of certain intangibles that were fully amortized after June 30, 2014 and a $0.9 million net decrease in amortization of certain intangibles which are amortized using a method based on expected cash flows. Generally cash flows decline over time after an initial ramp up when the technology is first acquired. These decreases were offset by a $0.9 million increase in amortization primarily relating to intangible assets acquired in connection with our StrikeIron acquisition.

See Note 13. Acquisitions of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for information regarding our acquisitions.

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Acquisitions and Other Charges

The following table sets forth, for the periods indicated, our acquisitions and other charges (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Acquisitions and other charges	$8,609	$771	1,017 %	$9,967	$860	1,059 %

The acquisitions and other charges incurred during the three and six months ended June 30, 2015 of $8.6 million and $10.0 million, respectively, are primarily related to the pending Merger and other non-routine shareholder matters and primarily consist of advisory and consulting, legal, accounting, tax, and other professional service fees, and Securities and Exchange Commission ("SEC") filing fees associated with the special shareholders' meeting. The Company previously presented $1.4 million of expenses related to the Merger and other stockholder matters as part of general and administrative expenses during the three months ended March 31, 2015 that have been reclassified and presented in acquisitions and other charges in the six months ended June 30, 2015. This change in presentation did not affect total operating expenses during the six months ended June 30, 2015.

The acquisitions and other charges incurred during the three and six months ended June 30, 2014 of $0.8 million and $0.9 million, respectively, are related to our acquisitions of other companies and primarily consist of legal, accounting, tax, bankers', consulting, and other professional service fees, changes in fair value and other adjustments of contingent consideration, adjustments related to hold-back, and severance liabilities to former employees of acquirees.

Interest and Other Income, Net

The following table sets forth, for the periods indicated, our interest and other income, net (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Interest income	$533	$1,179	(55)%	$1,404	$2,332	(40)%
Interest expense	(59)	(166)	(64)%	(145)	(293)	(51)%
Other income (expense), net	2,820	(198)	1,524 %	3,188	(282)	1,230 %
Interest and other income, net	$3,294	$815	304 %	$4,447	$1,757	153 %

Interest and other income, net consists primarily of interest income earned on our cash, cash equivalents, and short-term investments, as well as foreign exchange transaction gains and losses, and interest expense. The increase in interest and other income, net, of $2.5 million (or 304%) for the three months ended June 30, 2015 compared to the same period in 2014, was primarily due to $1.8 million in gains from the sale of investment in an equity interest and marketable securities, foreign exchange transaction gains of $1.2 million, offset by a $0.5 million net decrease in interest income and interest expense primarily due to lower investment balances and lower yields.

The increase in interest and other income, net, of $2.7 million (or 153%) for the six months ended June 30, 2015 compared to the same period in 2014, was primarily due to a $1.9 million in gains from sale of investment in an equity interest and marketable securities, foreign exchange transaction gains of $1.6 million, offset by a $0.8 million net decrease in interest income and interest expense primarily due to lower investment balances and lower yields.

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Income Tax Provision

The following table sets forth, for the periods indicated, our provision for income taxes (in thousands, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Percentage Change	2015	2014	Percentage Change
Income tax provision	$13,867	$11,812	17 %	$25,695	$24,718	4 %
Effective tax rate	42 %	34 %	8 %	39 %	34 %	5 %

Our effective tax rates were 42% and 34% for the three months ended June 30, 2015 and 2014, respectively, and 39% and 34% for the six months ended June 30, 2015 and 2014, respectively. Our rates for the three and six months ended June 30, 2015 were higher than the federal statutory rate of 35% mainly due to a change in management's assertion with respect to our foreign undistributed earnings. Our rates for the three and six months ended June 30, 2014 were similar to the federal statutory rate of 35% as the benefits of foreign earnings in lower-tax jurisdictions and the domestic manufacturing deduction were offset by nondeductible stock-based compensation, state income taxes, and the accrual of reserves related to unrecognized tax benefits. The tax rates for both periods do not include the federal research and development tax credit benefit as the credit was not reinstated for the respective interim periods.

As of December 31, 2014, we had approximately $128.2 million of undistributed earnings from its foreign subsidiaries for which we had not provided U.S. income or applicable foreign withholding taxes. During the three months ended June 30, 2015, we changed our assertion for undistributed foreign earnings and expect to use its available cash that we hold in foreign jurisdictions as part of the acquisition consideration for the pending Merger. Consequently, we provided for U.S. income taxes (after the consideration of foreign tax credit) and applicable foreign withholding taxes on all foreign undistributed earnings as these earnings will be repatriated to the U.S.

The repatriation is expected to generate a total of $5.6 million of additional U.S. income tax expense in 2015. This includes $7.4 million of U.S. income tax expense for the current year earnings generated by foreign subsidiaries and $1.8 million of net discrete tax benefit recorded for prior year cumulative undistributed earnings in the three months ended June 30, 2015. The current and prior year income tax benefit from corresponding foreign tax credits are included in the computation of the U.S. income tax expenses provided on undistributed foreign earnings because we believe it is more-likely-than-not that we will realize the benefit from these foreign tax credits before they expire.

Non-GAAP Financial Measures

To supplement Informatica's condensed consolidated financial statements prepared and presented on a GAAP basis, Informatica uses non-GAAP financial measures of income from operations, percentage of income from operations to total revenues, net income and net income per share. These measures are adjusted from income from operations, percentage of income from operations to total revenues, net income or net income per share prepared in accordance with GAAP to exclude the charges and expenses discussed below. The presentation of these non-GAAP financial measures is not meant to be considered in isolation or as a substitute for, or superior to, income from operations, net income or net income per share prepared in accordance with GAAP.

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For the three and six months ended June 30, 2015 and 2014, the GAAP and non-GAAP financial measures were as follows (in thousands, except for percentages and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Income from operations	$29,456	$33,826	$61,688	$70,643
Non-GAAP income from operations	$56,991	$54,628	$109,512	$111,301
Percentage of income from operations to total revenues	11 %	13 %	12 %	14 %
Non-GAAP percentage of income from operations to total revenues	22 %	22 %	21 %	23 %
Net income	$18,883	$22,829	$40,440	$47,682
Non-GAAP net income	$39,770	$38,539	$76,651	$78,068
Diluted net income per share	$0.18	$0.20	$0.38	$0.43
Non-GAAP diluted net income per share	$0.37	$0.35	$0.72	$0.70

We believe the disclosure of such non-GAAP financial measures is appropriate to enhance an overall understanding of our financial performance, our financial and operational decision making and as a means to evaluate period to period comparisons. These adjustments to the Company's GAAP results are made with the intent of providing both management and investors a more complete understanding of the Company's performance, by excluding certain expenses and expenditures, such as non-cash charges and discrete charges that are infrequent in nature, that may not be indicative of its underlying operating results. In addition, we believe that these non-GAAP financial measures are useful to investors because they allow for greater transparency into the indicators used by management as a basis for its financial and operational decision making. We believe that the disclosure of these non-GAAP financial measures provides consistency and comparability of its recent financial results with its historical financial results, as well as to the operating results of other companies in our industry, many of which present non-GAAP financial measures to investors. In addition, we believe that both management and investors benefit from referring to these non-GAAP financial measures when planning, analyzing and forecasting future periods.

There are limitations in using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP, do not reflect a comprehensive system of accounting, may have a material impact on our reported financial results, and exclude some recurring expenses, particularly stock-based compensation. We believe that stock-based compensation will continue to be a significant recurring expense for the foreseeable future and such stock-based compensation is an important part of our employees' compensation, which can impact their performance. Our non-GAAP financial measures may differ from those of other companies in our industry due to potential differences in their financing and accounting methods, the book value of their assets, their capital structures, the method by which their assets were acquired and the manner in which they define non-GAAP measures. Furthermore, the items we exclude in our non-GAAP financial measures may differ from the components our peer companies exclude when they report their non-GAAP measures. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP measures and evaluating non-GAAP measures together with the corresponding measures calculated in accordance with GAAP.

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Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

The following tables are a reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measure (in thousands, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Total revenues	$261,866	$250,713	$	