

For the Transition Period from _____ to _____
 Commission File Number 000-30093

Websense, Inc.

(Exact name of registrant as specified in its charter)

Delaware
 (State or other jurisdiction of
 incorporation or organization)

51-0380839
 (I.R.S. Employer
 Identification Number)

10240 Sorrento Valley Road
 San Diego, California 92121
 858-320-8000

(Address of principal executive offices, zip code and telephone number)

Securities registered pursuant to section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common stock, \$0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Results of Operations

The following table summarizes our operating results as a percentage of revenues for each of the periods shown.

	<u>Years Ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues	100%	100%	100%
Cost of revenues	16	17	14
Gross margin	84	83	86
Operating expenses:			
Selling and marketing	53	61	60
Research and development	17	18	19
General and administrative	13	16	16
Total operating expenses	83	95	95
Income (loss) from operations	1	(12)	(9)
Interest expense	(2)	(4)	(2)
Other income, net	—	—	4
Loss before income taxes	(1)	(16)	(7)
Provision (benefit) for income taxes	2	(7)	1
Net (loss) income	<u>(3)%</u>	<u>(9)%</u>	<u>(8)%</u>

Year ended December 31, 2009 compared with the year ended December 31, 2008

Revenues

Revenues increased to \$313.7 million in 2009 from \$288.3 million in 2008. The increase was a result primarily of increased revenue from new, renewed and upgraded product subscriptions including SaaS security products, DLP products and OEM contract revenue from 2008 to 2009 as well as the revenue from our Websense Web Security Gateway and V10000 appliance sales that commenced in 2009. Revenue from products sold in the United States accounted for \$155.8 million or 50% of 2009 revenue compared to \$155.7 million or 54% in 2008. Revenue from products sold internationally accounted for \$157.9 million or 50% of 2009 revenue compared to \$132.6 million or 46% in 2008. We had current deferred revenue of \$239.0 million as of December 31, 2009, compared to \$223.9 million as of December 31, 2008. We expect our 2010 revenue to increase over 2009 revenue levels due to the level of current deferred revenue that will be recognized as revenue during 2010, subscriptions that are scheduled for renewal in 2010 that are expected to be renewed and expected new business during 2010 for which a ratable portion of revenue will be recognized during 2010. Our revenue in 2010 may be impacted by the duration of contracts for renewal and new subscriptions, the timing of sales of renewal and new subscriptions, the average annual contract value and per seat price, and currency exchange rates impacting new and renewal subscriptions in international markets.

Cost of Revenues

Cost of revenues consists of the costs of content review, technical support, infrastructure costs associated with maintaining our databases, costs associated with providing our SaaS security products, amortization of