

VONAGE HOLDINGS CORP
Form 10-Q
October 27, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2016

or

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

For the Transition Period From _____ to _____

Commission File Number 001-32887

VONAGE HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware 11-3547680
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

23 Main Street, 07733
Holmdel, NJ
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (732) 528-2600

(Former name, former address and former fiscal year, if changed since last report): Not Applicable

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 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. Check one:

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class	Outstanding at	October 21, 2016
Common Stock, par value \$0.001		217,957,324 shares

Table of Contents

VONAGE HOLDINGS CORP.
INDEX

Part I. Financial Information

	Page
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets as of September 30, 2016 (Unaudited) and December 31, 2015</u>	3
<u>Unaudited Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2016 and 2015</u>	4
<u>Unaudited Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2016 and 2015</u>	5
<u>Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015</u>	6
<u>Unaudited Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 2016</u>	7
<u>Notes to Unaudited Consolidated Financial Statements</u>	8

Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
--	----

Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	58
---	----

Item 4. <u>Controls and Procedures</u>	59
--	----

Part II. Other Information

Item 1. <u>Legal Proceedings</u>	60
----------------------------------	----

Item 1A. <u>Risk Factors</u>	60
------------------------------	----

Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	75
--	----

Item 3. <u>Defaults Upon Senior Securities</u>	75
--	----

Item 4. <u>Mine Safety Disclosures</u>	75
--	----

Item 5. <u>Other Information</u>	75
----------------------------------	----

Item 6. <u>Exhibits</u>	77
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<u>Signature</u>	78
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Financial Information Presentation

For the financial information discussed in this Quarterly Report on Form 10-Q, other than per share and per line amounts, dollar amounts are presented in thousands, except where noted.

Table of Contents

Part I – Financial Information

Item 1. Financial Statements

VONAGE HOLDINGS CORP.

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

	September 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Assets		
Current assets:		
Cash and cash equivalents	\$ 33,236	\$ 57,726
Marketable securities	6,559	9,908
Accounts receivable, net of allowance of \$2,633 and \$1,091, respectively	33,259	19,913
Inventory, net of allowance of \$189 and \$686, respectively	4,440	5,542
Deferred customer acquisition costs, current	2,092	4,074
Deferred tax assets, current	23,985	23,985
Prepaid expenses and other current assets	21,192	15,659
Total current assets	124,763	136,807
Property and equipment, net	49,791	49,483
Goodwill	366,509	222,106
Software, net	22,082	20,710
Deferred customer acquisition costs, non-current	503	431
Debt related costs, net	2,504	2,053
Restricted cash	1,836	2,587
Intangible assets, net	214,578	138,199
Deferred tax assets, non-current	169,943	202,587
Other assets	2,779	9,603
Total assets	\$ 955,288	\$ 784,566
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities:		
Accounts payable	\$ 27,345	\$ 42,798
Accrued expenses	103,990	96,127
Deferred revenue, current portion	31,862	32,605
Current maturities of capital lease obligations	4,332	4,398
Current portion of notes payable	18,750	15,000
Total current liabilities	186,279	190,928
Indebtedness under revolving credit facility	229,000	119,000
Notes payable, net of debt related costs and current portion	95,702	76,392
Deferred revenue, net of current portion	531	851
Capital lease obligations, net of current maturities	226	3,363
Other liabilities, net of current portion in accrued expenses	2,816	5,291
Total liabilities	514,554	395,825
Commitments and Contingencies		
Stockholders' Equity		
Common stock, par value \$0.001 per share; 596,950 shares authorized at September 30, 2016 and December 31, 2015; 280,624 and 268,947 shares issued at September 30,	283	270

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2016 and December 31, 2015, respectively; 217,640 and 214,280 shares outstanding at September 30, 2016 and December 31, 2015, respectively

Additional paid-in capital	1,294,600	1,224,947
Accumulated deficit	(637,114) (655,020)
Treasury stock, at cost, 62,984 shares at September 30, 2016 and 54,667 shares at December 31, 2015	(217,040) (179,779)
Accumulated other comprehensive income (loss)	5	(1,677)
Total stockholders' equity	440,734	388,741
Total liabilities and stockholders' equity	\$ 955,288	\$ 784,566

The accompanying notes are an integral part of the consolidated financial statements.

3

Table of Contents

VONAGE HOLDINGS CORP.
 CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except per share amounts)
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Total revenues	\$248,359	\$223,360	\$708,858	\$664,948
Operating Expenses:				
Cost of service (excluding depreciation and amortization of \$7,460, \$6,415, \$21,278, and \$18,144 respectively)		87,377		