

8X8 INC /DE/  
Form 10-Q  
January 31, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended December 31, 2013

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 000-21783

[8X8, INC.](#)

(Exact name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**77-0142404**

(I.R.S. Employer Identification Number)

2125 O'Nel Drive  
San Jose, CA 95131

(Address of Principal Executive Offices)

(408) 727-1885

(Registrant's Telephone Number, including Area Code)

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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 reports), and (2) has been subject to such filing requirements for the past 90 days. x 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

x 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 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 x Non-accelerated filer " Smaller reporting company  
" (Do not check if a 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 x

The number of shares of the Registrant's Common Stock outstanding as of January 24, 2014 was 87,874,850.

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## Part I -- FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

8X8, Inc.  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, unaudited)

	December 31, 2013	March 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 172,114	\$ 50,305
Short-term investments	1,901	1,964
Accounts receivable, net	5,169	3,880
Inventory	828	511
Deferred cost of goods sold	215	182
Deferred tax asset	4,532	6,096
Other current assets	1,999	732
Total current assets	186,758	63,670
Property and equipment, net	7,485	6,673
Intangible assets, net	15,606	10,194
Goodwill	38,235	25,150
Non-current deferred tax asset	47,366	46,352
Other assets	1,101	572
Total assets	\$ 296,551	\$ 152,611
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,497	\$ 5,644
Accrued compensation	5,311	3,629
Accrued warranty	634	452
Accrued taxes	2,109	1,912
Deferred revenue	3,208	1,236
Other accrued liabilities	1,711	862
Total current liabilities	19,470	13,735
Non-current liabilities	1,672	1,817
Other non-current liabilities	12	26
Total liabilities	21,154	15,578
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock	88	72
Additional paid-in capital	379,802	246,176
Accumulated other comprehensive income (loss)	227	(36)
Accumulated deficit	(104,720)	(109,179)
Total stockholders' equity	275,397	137,033
Total liabilities and stockholders' equity	\$ 296,551	\$ 152,611

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

## 8X8, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts; unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2013	2012	2013	2012
Service revenue	\$ 29,737	\$ 24,023	\$ 84,062	\$ 69,314
Product revenue	3,008	2,382	8,749	6,656
Total revenue	32,745	26,405	92,811	75,970
Operating expenses:				
Cost of service revenue	5,584	4,890	15,579	15,184
Cost of product revenue	4,041	3,203	11,171	8,585
Research and development	3,325	2,117	8,301	5,973
Sales and marketing	16,051	11,561	42,868	32,629
General and administrative	5,547	2,119	11,444	6,226
Gain on patent sale	-	-	-	(11,965)
Total operating expenses	34,548	23,890	89,363	56,632
Income (loss) from operations	(1,803)	2,515	3,448	19,338
Other income, net	586	73	602	90
Income (loss) from continuing operations before provision (benefit) for income taxes	(1,217)	2,588	4,050	19,428
Provision (benefit) for income taxes	(1,306)	814	481	7,494
Income from continuing operations	89	1,774	3,569	11,934
Income from discontinued operations, net of income tax provision	-	146	301	344
Gain on disposal of discontinued operations, net of income tax provision of \$463	-	-	589	-
Net Income	\$ 89	\$ 1,920	\$ 4,459	\$ 12,278
Income per share - continuing operations:				
Basic	\$ 0.00	\$ 0.03	\$ 0.05	\$ 0.17
Diluted	\$ 0.00	\$ 0.03	\$ 0.05	\$ 0.16
Income per share - discontinued operations:				
Basic	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00
Diluted	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00
Net income per share:				
Basic	\$ 0.00	\$ 0.03	\$ 0.06	\$ 0.17
Diluted	\$ 0.00	\$ 0.03	\$ 0.06	\$ 0.16
Weighted average number of shares:				
Basic	79,742	71,611	75,071	71,197
Diluted	83,182	74,988	78,389	74,483

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

8X8, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2013	2012	2013	2012
Net income	\$ 89	\$ 1,920	\$ 4,459	\$ 12,278
Other comprehensive income (loss), net of tax				
Unrealized gain (loss) on investments in securities	(8)	(44)	(63)	23
Foreign currency translation adjustment	326	-	326	-
Comprehensive income	\$ 407	\$ 1,876	\$ 4,722	\$ 12,301

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

8X8, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Nine Months Ended December 31,	
	2013	2012
<b>Cash flows from operating activities:</b>		
Net income	\$ 4,459	\$ 12,278
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,888	1,816
Amortization of intangible assets	1,074	1,071
Amortization of capitalized software	92	-
Gain on disposal of discontinued operations	(589)	-
Gain on escrow settlement	(565)	-
Stock-based compensation	5,245	1,827
Deferred income tax provision	87	7,359
Other	490	409
Changes in assets and liabilities:		
Accounts receivable, net	(1,104)	(1,700)
Inventory	(245)	(25)
Other current and noncurrent assets	(570)	(48)
Deferred cost of goods sold	211	(18)
Accounts payable	(1,290)	(38)
Accrued compensation	1,217	663
Accrued warranty	182	35
Accrued taxes and fees	62	495
Deferred revenue	757	61
Other current and noncurrent liabilities	172	1,806
Net cash provided by operating activities	11,573	25,991

**Cash flows from investing activities:**