

Limelight Networks, Inc.
Form 10-Q
November 06, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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 001-33508

LIMELIGHT NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
222 South Mill Avenue, 8th Floor
Tempe, AZ 85281
(Address of principal executive offices, including Zip Code)
(602) 850-5000
(Registrant's telephone number, including area code)

20-1677033
(I.R.S. Employer
Identification No.)

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

The number of shares outstanding of the registrant's common stock as of October 29, 2013: 97,262,627 shares.

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LIMELIGHT NETWORKS, INC.

FORM 10-Q

Quarterly Period Ended September 30, 2013

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****LIMELIGHT NETWORKS, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except per share data)**

	(Unaudited) September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 79,222	\$ 108,915
Marketable securities	33,043	19,040
Accounts receivable, net	25,667	26,602
Income taxes receivable	339	471
Deferred income tax	83	38
Prepaid expenses and other current assets	10,232	12,308
Total current assets	148,586	167,374
Property and equipment, net	33,291	41,251
Marketable securities, less current portion	6	18
Deferred income tax, less current portion	2,862	2,838
Goodwill	80,658	80,278
Other intangible assets, net	4,343	6,387
Other assets	5,796	6,735
Total assets	\$ 275,542	\$ 304,881
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 8,008	\$ 6,730
Deferred revenue	6,015	6,892
Capital lease obligation	589	1,301
Income taxes payable	969	519
Other current liabilities	12,450	14,866
Total current liabilities	28,031	30,308
Capital lease obligation, less current portion	412	824
Deferred income tax	357	461
Deferred revenue, less current portion	1,931	797
Other long-term liabilities	4,832	5,261

Total liabilities	35,563	37,651
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value; 7,500 shares authorized; no shares issued and outstanding		
Common stock, \$0.001 par value; 300,000 shares authorized at September 30, 2013 and December 31, 2012; 97,239 and 98,038 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	97	98
Additional paid-in capital	456,153	452,258
Contingent consideration	33	33
Accumulated other comprehensive loss	(1,566)	(709)
Accumulated deficit	(214,738)	(184,450)
Total stockholders' equity	239,979	267,230
Total liabilities and stockholders' equity	\$ 275,542	\$ 304,881

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

Table of Contents**LIMELIGHT NETWORKS, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 42,656	\$ 45,001	\$ 131,232	\$ 133,765
Cost of revenue:				
Cost of services (1)	21,773	21,313	65,696	62,193
Depreciation - network	5,278	6,970	18,078	20,984
Total cost of revenue	27,051	28,283	83,774	83,177
Gross profit	15,605	16,718	47,458	50,588
Operating expenses:				
General and administrative	8,609	8,757	25,047	25,130
Sales and marketing	10,363	11,037	31,545	34,431
Research and development	5,423	4,956	16,814	15,108
Depreciation and amortization	1,433	1,481	4,325	4,329
Total operating expenses	25,828	26,231	77,731	78,998
Operating loss	(10,223)	(9,513)	(30,273)	(28,410)
Other income (expense):				
Interest expense	(15)	(40)	(64)	(136)
Interest income	89	88	238	277
Gain on sale of cost basis investment		9,420		9,420
Other, net	(557)	(551)	154	(582)
Total other (expense) income	(483)	8,917	328	8,979
Loss from continuing operations before income taxes	(10,706)	(596)	(29,945)	(19,431)
Income tax expense	197	14	328	313
Loss from continuing operations	(10,903)	(610)	(30,273)	(19,744)
Discontinued operations:				
Loss from discontinued operations, net of income taxes	(15)	(218)	(15)	(918)
Net loss	\$ (10,918)	\$ (828)	\$ (30,288)	\$ (20,662)

Net loss per share:				
Basic				
Continuing operations	\$ (0.11)	\$ (0.01)	\$ (0.31)	\$ (0.19)
Discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Total	\$ (0.11)	\$ (0.01)	\$ (0.31)	\$ (0.20)
Diluted				
Continuing operations	\$ (0.11)	\$ (0.01)	\$ (0.31)	\$ (0.19)
Discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Total	\$ (0.11)	\$ (0.01)	\$ (0.31)	\$ (0.20)
Shares used in per weighted average share calculations:				
Basic	96,949	99,359	96,675	102,123
Diluted	96,949	99,359	96,675	102,123

- (1) Cost of services excludes amortization related to intangibles, including existing technologies, customer relationships, and trade names and trademarks, which are included in depreciation and amortization
The accompanying notes are an integral part of these consolidated financial statements

Table of Contents**LIMELIGHT NETWORKS, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME****(In thousands)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net loss	\$ (10,918)	\$ (828)	\$ (30,288)	\$ (20,662)
Other comprehensive (loss) income, net of tax:				
Unrealized gain (loss) on investments	55	28	(36)	(16)
Foreign exchange translation	1,324	994	(821)	(12)
Other comprehensive income (loss), net of tax	1,379	1,022	(857)	(28)
Comprehensive (loss) income	\$ (9,539)	\$ 194	\$ (31,145)	\$ (20,690)

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

Table of Contents**LIMELIGHT NETWORKS, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	Nine Months Ended	
	September 30,	
	2013	2012
Operating activities		
Net loss	\$ (30,288)	\$ (20,662)
Loss from discontinued operations	(15)	(918)
Net loss from continuing operations	(30,273)	(19,744)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	22,403	25,313
Share-based compensation	9,800	10,835
Deferred income taxes	(209)	(299)
Foreign currency remeasurement (gain) loss	(504)	173
Accounts receivable charges	758	1,105
Amortization of premium on marketable securities	462	365
Gain on sale of cost basis investment		(9,420)
Non cash increase in cost basis investment		(528)
Loss on sale of property and equipment	25	19
Changes in operating assets and liabilities:		
Accounts receivable	177	(1,468)