

VONAGE HOLDINGS CORP  
Form 10-Q  
November 01, 2012  
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, 2012

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 (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 30, 2012	
Common Stock, par value \$0.001		220,854,748	shares

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Table of Contents

VONAGE HOLDINGS CORP.  
INDEX

Part I. Financial Information

	Page
Item 1. <u>Financial Statements</u>	
<u>A) Consolidated Balance Sheets as of September 30, 2012 (Unaudited) and December 31, 2011</u>	<u>3</u>
<u>B) Unaudited Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2012 and 2011</u>	<u>4</u>
<u>C) Unaudited Consolidated Comprehensive Income for the Three and Nine Months Ended September 30, 2012 and 2011</u>	<u>5</u>
<u>D) Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and 2011</u>	<u>6</u>
<u>E) Unaudited Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 2012</u>	<u>7</u>
<u>F) Notes to Unaudited Consolidated Financial Statements</u>	<u>8</u>

Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
--	-----------

Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
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Item 4. <u>Controls and Procedures</u>	<u>40</u>
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Part II. Other Information

Item 1. <u>Legal Proceedings</u>	<u>42</u>
----------------------------------	-----------

Item 1A. <u>Risk Factors</u>	<u>42</u>
------------------------------	-----------

Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>42</u>
--	-----------

Item 3. <u>Defaults Upon Senior Securities</u>	<u>42</u>
--	-----------

Item 4. <u>Mine Safety Disclosures</u>	<u>42</u>
--	-----------

Item 5. <u>Other Information</u>	<u>42</u>
----------------------------------	-----------

Item 6. <u>Exhibits</u>	<u>43</u>
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<u>Signature</u>	<u>44</u>
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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, 2012 (unaudited)	December 31, 2011
Assets		
Assets		
Current assets:		
Cash and cash equivalents	\$74,708	\$58,863
Accounts receivable, net of allowance of \$1,345 and \$591, respectively	22,367	17,862
Inventory, net of allowance of \$235 and \$269, respectively	6,463	6,715
Deferred customer acquisition costs, current	5,444	4,964
Deferred tax assets, current	19,546	19,546
Prepaid expenses and other current assets	19,013	16,820
Total current assets	147,541	124,770
Property and equipment, net	56,353	67,978
Software, net	19,163	45,661
Deferred customer acquisition costs, non-current	417	721
Debt related costs, net	1,027	2,007
Restricted cash	5,653	6,929
Intangible assets, net	7,275	9,056
Deferred tax assets, non-current	296,028	306,055
Other assets	4,029	3,038
Total assets	\$537,486	\$566,215
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities:		
Accounts payable	\$50,626	\$66,214
Accrued expenses	55,614	69,526
Deferred revenue, current portion	36,992	38,778
Current maturities of capital lease obligations	2,375	2,104
Current portion of notes payables	28,333	28,333
Total current liabilities	173,940	204,955
Notes payable, net of current portion	21,250	42,500
Deferred revenue, net of current portion	826	1,203
Capital lease obligations, net of current maturities	13,750	15,561
Other liabilities, net of current portion in accrued expenses	2,505	2,429
Total liabilities	212,271	266,648
Commitments and Contingencies		
Stockholders' Equity		
Common stock, par value \$0.001 per share; 596,950 shares authorized at September 30, 2012 and December 31, 2011; 229,588 and 227,858 shares issued at September 30, 2012 and December 31, 2011, respectively; 222,940 and 225,586 shares outstanding	230	228

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at September 30, 2012 and December 31, 2011, respectively

Additional paid-in capital	1,085,180	1,074,488
Accumulated deficit	(739,063)	) (762,857 )
Treasury stock, at cost, 6,648 shares at September 30, 2012 and 2,272 shares at December 31, 2011	(24,271)	) (14,529 )
Accumulated other comprehensive income	3,139	2,237
Total stockholders' equity	325,215	299,567
Total liabilities and stockholders' equity	\$537,486	\$566,215

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

3

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Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues	\$207,584	\$216,507	\$635,403	\$654,633
Operating Expenses:				
Direct cost of telephony services (excluding depreciation and amortization of \$3,722, \$3,864, \$11,581, and \$11,855, respectively)	55,245	59,230	175,063	177,302
Direct cost of goods sold	10,444	10,711	29,565	31,631