

Limelight Networks, Inc.
Form 8-K/A
August 02, 2016

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

FORM 8-K/A
CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
August 2, 2016
LIMELIGHT NETWORKS, INC.
(Exact name of Registrant as specified in its charter)

Delaware 001-33508 20-1677033
(State or other jurisdiction of (Commission (I.R.S. Employer
incorporation or organization) File Number) Identification Number)
222 South Mill Avenue, 8th Floor
Tempe, AZ 85281
(Address, including zip code, of principal executive offices)
(602) 850-5000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This Form 8-K/A amends certain information provided in the earnings release (the “Earnings Release”) attached as Exhibit 99.1 to Limelight Network, Inc.’s (the “Company”) Current Report on Form 8-K furnished by the Company to the Securities and Exchange Commission on July 27, 2016 (the “Original Report”). The revised information will also be included in the Company's Quarterly Report on Form 10-Q, to be filed later this week.

Item 2.02 Results of Operations and Financial Condition.

On July 27, 2016, the Company issued the Original Report, which included a press release regarding its financial results for the quarter ended June 30, 2016, and certain other information. Subsequent to the Original Report, the Company entered into a settlement and licensing agreement with Akamai Technologies to bring the longstanding battle over the '703 patent to a conclusion. A press release announcing the settlement and licensing agreement was attached as Exhibit 99.1 of the Current Report on Form 8-K furnished on August 1, 2016. The agreement settles all asserted and unasserted claims with respect to the licensed patents, which allows us to operate our business with greater flexibility going forward. The terms of the agreement require us to pay \$54 million to be paid over twelve equal quarterly installments beginning on August 1, 2016. As a result, this is a recognized subsequent event in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), the Company has taken a charge in operating expenses in the quarter ended June 30, 2016 for the full amount of \$54 million, instead of the \$51 million judgment that was reported in last week’s Earnings Release. This revision has the effect of increasing the U.S. GAAP net loss for the quarter ended June 30, 2016 of \$54.9 million, or \$0.53 per basic share to \$57.9 million, or \$0.56 per basic share. It also results in an increase of the U.S. GAAP net loss for the six months ended June 30, 2016 of \$60.8 million, or \$0.59 per basic share to \$63.9 million, or \$0.62 per basic share.

The updated financial tables as of June 30, 2016 and for the three and six months ended June 30, 2016 follow:

Financial Tables
 Limelight Networks, Inc.
 Condensed Consolidated Balance Sheets
 (In thousands, except per share data)

| | June 30, 2016 | December 31, 2015 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 30,885 | \$ 44,680 |
| Restricted cash | 62,790 | — |
| Marketable securities | — | 28,322 |
| Accounts receivable, net | 24,872 | 26,795 |
| Income taxes receivable | 135 | 170 |
| Deferred income taxes | 80 | 89 |
| Prepaid expenses and other current assets | 6,278 | 9,578 |
| Total current assets | 125,040 | 109,634 |
| Property and equipment, net | 30,647 | 36,143 |
| Marketable securities, less current portion | 40 | 40 |
| Deferred income taxes, less current portion | 1,284 | 1,252 |
| Goodwill | 76,242 | 76,143 |
| Other assets | 1,903 | 2,415 |
| Total assets | \$ 235,156 | \$ 225,627 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,630 | \$ 9,137 |
| Deferred revenue | 2,469 | 2,890 |
| Capital lease obligations | 1,119 | 466 |
| Income taxes payable | 165 | 204 |
| Provision for litigation | 18,000 | — |
| Other current liabilities | 10,391 | 10,857 |
| Total current liabilities | 39,774 | 23,554 |
| Long-term debt | 12,790 | — |
| Capital lease obligations, less current portion | 3,008 | 1,436 |
| Deferred income taxes | 145 | 137 |
| Deferred revenue, less current portion | 52 | 92 |
| Provision for litigation, less current portion | 36,000 | — |
| Other long-term liabilities | 1,963 | 2,311 |
| Total liabilities | 93,732 | 27,530 |
| 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; 104,653 and 102,299 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively | 104 | 102 |
| Additional paid-in capital | 483,903 | 477,202 |
| Accumulated other comprehensive loss | (10,304) | (10,812) |
| Accumulated deficit | (332,279) | (268,395) |
| Total stockholders' equity | 141,424 | 198,097 |

| | | |
|--------------------------------------------|------------|------------|
| Total liabilities and stockholders' equity | \$ 235,156 | \$ 225,627 |
|--------------------------------------------|------------|------------|

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Limelight Networks, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended | | | Six Months Ended | | | | | |
|-----------------------------------------------------------|--------------------|-------------------|-------------------|------------------|-------------------|------------------|------------------|-------------------|--|
| | June 30, 2016 | March 31, 2016 | Percent Change | June 30, 2015 | Percent Change | June 30, 2016 | June 30, 2015 | Percent Change | |
| Revenues | \$43,560 | \$41,422 | 5 % | \$43,795 | (1)% | \$84,982 | \$86,124 | (1)% | |
| Cost of revenue: | | | | | | | | | |
| Cost of services (1) | 20,271 | 20,110 | 1 % | 21,271 | (5)% | 40,380 | 42,928 | (6)% | |
| Depreciation — network | 4,489 | 4,668 | (4)% | 4,376 | 3 % | 9,157 | 8,528 | 7 % | |
| Total cost of revenue | 24,760 | 24,778 | — % | 25,647 | (3)% | 49,537 | 51,456 | (4)% | |
| Gross profit | 18,800 | 16,644 | 13 % | 18,148 | 4 % | 35,445 | 34,668 | 2 % | |
| Gross profit percentage | 43.2 % | 40.2 % | | 41.4 % | | 41.7 % | 40.3 % | | |
| Operating expenses: | | | | | | | | | |
| General and administrative (1) | 7,241 | 6,808 | 6 % | 6,081 | 19 % | 14,049 | 12,932 | 9 % | |
| Sales and marketing (1) | 8,117 | 8,903 | (9)% | 10,002 | (19)% | 17,020 | 20,278 | (16)% | |
| Research and development (1) | 6,289 | 6,325 | (1)% | 7,646 | (18)% | 12,614 | 13,909 | (9)% | |
| Depreciation and amortization | 626 | 623 | — % | 635 | (1)% | 1,249 | 1,276 | (2)% | |
| Provision for litigation | 54,000 | — | NA | — | NA | 54,000 | — | NA | |
| Total operating expenses | 76,273 | 22,659 | 237 % | 24,364 | 213 % | 98,932 | 48,395 | 104 % | |
| Operating loss | (57,473) | (6,015) | 855 % | (6,216) | 825 % | (63,487) | (13,727) | 362 % | |
| Other income (expense): | | | | | | | | | |
| Interest expense | (279) | (179) | 56 % | — | NA | (459) | (4) | 11,375 % | |
| Interest income | 8 | 6 | 33 % | 75 | (89)% | 14 | 149 | (91)% | |
| Other, net | (79) | 400 | (120)% | (131) | (40)% | 321 | 1,682 | (81)% | |
| Total other income (expense) | (350) | 227 | (254)% | (56) | 525 % | (124) | 1,827 | (107)% | |
| Loss before income taxes | (57,823) | (5,788) | 899 % | (6,272) | 822 % | (63,611) | (11,900) | 435 % | |
| Income tax expense | 115 | 158 | (27)% | 90 | 28 % | 273 | 145 | 88 % | |
| Net loss | \$(57,938) | \$(5,946) | 874 % | \$(6,362) | 811 % | (63,884) | (12,045) | 430 % | |
| Net loss per share: | | | | | | | | | |
| Basic and diluted | \$(0.56) | \$(0.06) | | \$(0.06) | | (0.62) | (0.12) | | |
| Weighted average shares used in per share calculation: | | | | | | | | | |
| Basic and diluted | 103,904 | 102,693 | | 99,841 | | 103,299 | 99,239 | | |

(1) Includes share-based compensation (see supplemental table for figures)

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Limelight Networks, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | Three Months Ended | | | Six Months Ended | |
|-------------------------------------------------------------------------------------------|--------------------|----------------------|------------------|------------------|------------------|
| | June 30, 2016 | March 31, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Operating activities | | | | | |
| Net loss | \$(57,938) | \$(5,946) | \$(6,362) | \$(63,884) | \$(12,045) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | 5,115 | 5,291 | 5,011 | 10,406 | 9,804 |
| Share-based compensation | 3,293 | 3,496 | 3,280 | 6,789 | 6,349 |
| Provision for litigation | 54,000 | — | — | 54,000 | — |
| Foreign currency remeasurement (gain) loss | 467 | (301) | 96 | 166 | (1,595) |
| Deferred income taxes | (68) | 82 | (62) | 14 | (115) |
| Gain on sale of property and equipment | (134) | — | — | (134) | — |
| Accounts receivable charges (recoveries) | 83 | (116) | 224 | (33) | 470 |
| Amortization of premium on marketable securities | — | 19 | 48 | 19 | 106 |
| Realized loss on marketable securities | — | 32 | — | 32 | — |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | 2,497 | (540) | (4,312) | 1,957 | (9,292) |
| Prepaid expenses and other current assets | (191) | 3,583 | (1,352) | 3,392 | (202) |
| Income taxes receivable | 51 | (13) | 13 | 38 | 11 |
| Other assets | 166 | 342 | 217 | 508 | 1,009 |
| Accounts payable and other current liabilities | 1,566 | (4,005) | 3,389 | (2,439) | 1,666 |
| Deferred revenue | (934) | 473 | 520 | (461) | 317 |
| Income taxes payable | 72 | (127) | 52 | (55) | — |
| Other long term liabilities | (1,237) | 900 | (175) | (337) | (444) |
| Net cash provided by (used in) operating activities | 6,808 | 3,170 | 587 | 9,978 | (3,961) |
| Investing activities | | | | | |
| Purchases of marketable securities | — | — | (1,965) | — | (11,921) |
| Sale and maturities of marketable securities | — | 28,315 | 1,920 | 28,315 | 11,760 |
| Change in restricted cash | — | (62,790) | — | (62,790) | — |
| Purchases of property and equipment | (259) | (1,421) | (5,395) | (1,680) | (12,061) |
| Net cash (used in) provided by investing activities | (259) | (35,896) | (5,440) | (36,155) | (12,222) |
| Financing activities | | | | | |
| Principal payments on capital lease obligations | (319) | (159) | — | (478) | (358) |
| Payment of employee tax withholdings related to restricted stock vesting | (298) | (646) | (837) | (944) | (1,944) |
| Cash paid for purchase of common stock | — | — | — | — | (957) |
| Proceeds from line of credit | — | 12,790 | — | 12,790 | — |
| Proceeds from employee stock plans | 813 | 43 | 544 | 856 | 2,519 |
| Net cash provided by (used in) financing activities | 196 | 12,028 | (293) | 12,224 | (740) |
| Effect of exchange rate changes on cash and cash equivalents | (1) | 159 | 140 | 158 | (342) |
| Net increase (decrease) in cash and cash equivalents | 6,744 | (20,539) | (5,006) | (13,795) | (17,265) |
| Cash and cash equivalents, beginning of period | 24,141 | 44,680 | 45,508 | 44,680 | 57,767 |
| Cash and cash equivalents, end of period | \$30,885 | \$24,141 | \$40,502 | \$30,885 | \$40,502 |



Limelight Networks, Inc.

Reconciliation of U.S. GAAP Net Loss to Non-GAAP Net Income (Loss)

(In thousands)

(Unaudited)

| | Three Months Ended | | | | | | Six Months Ended | | | |
|--------------------------------------------------------|--------------------|-----------|----------------|-----------|---------------|-----------|------------------|-----------|---------------|-----------|
| | June 30, 2016 | | March 31, 2016 | | June 30, 2015 | | June 30, 2016 | | June 30, 2015 | |
| | Amount | Per Share | Amount | Per Share | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| U.S. GAAP net loss | \$(57,938) | \$(0.56) | \$(5,946) | \$(0.06) | \$(6,362) | \$(0.06) | \$(63,884) | \$(0.62) | \$(12,045) | \$(0.12) |
| Provision for litigation | 54,000 | 0.52 | — | — | — | — | 54,000 | 0.52 | — | — |
| Share-based compensation | 3,293 | 0.03 | 3,496 | 0.03 | 3,280 | 0.03 | 6,789 | 0.07 | 6,349 | 0.06 |
| Litigation expenses | 1,271 | 0.01 | 1,178 | 0.01 | (1,174) | (0.01) | 2,449 | 0.02 | (1,155) | (0.01) |
| Amortization of intangible assets | 6 | — | 6 | — | 201 | — | 12 | — | 399 | — |
| Non-GAAP net income (loss) | \$632 | \$0.01 | \$(1,266) | \$(0.01) | \$(4,055) | \$(0.04) | \$(634) | \$(0.01) | \$(6,452) | \$(0.07) |
| Weighted average shares used in per share calculation: | | 103,904 | | 102,693 | | 99,841 | | 103,299 | | 99,239 |

Limelight Networks, Inc.

Reconciliation of U.S. GAAP Net Loss to EBITDA to Adjusted EBITDA

(In thousands)

(Unaudited)

| | Three Months Ended | | | Six Months Ended | |
|-------------------------------------|--------------------|-----------|-----------|------------------|------------|
| | June 30, | March 31, | June 30, | June 30, | June 30, |
| | 2016 | 2016 | 2015 | 2016 | 2015 |
| U.S. GAAP net loss | \$(57,938) | \$(5,946) | \$(6,362) | \$(63,884) | \$(12,045) |
| Depreciation and amortization | 5,115 | 5,291 | 5,011 | 10,406 | 9,804 |
| Interest expense | 279 | 179 | — | 459 | 4 |
| Interest and other (income) expense | 71 | (406) | 56 | (335) | (1,831) |
| Income tax expense | 115 | 158 | 90 | 273 | 145 |
| EBITDA | \$(52,358) | \$(724) | \$(1,205) | \$(53,081) | \$(3,923) |
| Provision for litigation | 54,000 | — | — | 54,000 | — |
| Share-based compensation | 3,293 | 3,496 | 3,280 | 6,789 | 6,349 |
| Litigation expenses | 1,271 | 1,178 | (1,174) | 2,449 | (1,155) |
| Adjusted EBITDA | \$6,206 | \$3,950 | \$901 | \$10,157 | \$1,271 |

The information in this Form 8-K/A and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| Exhibit Number | Description |
|-------------------|--------------------------------------------------------------|
| 99.1 | Limelight Networks, Inc. Press Release dated July 27, 2016.* |

* Previously furnished as an exhibit to the Original Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LIMELIGHT NETWORKS, INC.

Dated: August 2, 2016 By: /s/ Michael DiSanto
Michael DiSanto
Chief Administrative and Legal Officer & Secretary

EXHIBIT INDEX

| Exhibit Number | Description |
|-------------------|--------------------------------------------------------------|
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* Previously furnished as an exhibit to the Original Report.