

Limelight Networks, Inc.
Form 10-Q
April 28, 2016
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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 March 31, 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 001-33508

Limelight Networks, Inc.
(Exact name of registrant as specified in its charter)

Delaware 20-1677033
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
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)

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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

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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, par value \$0.001 per share, as of April 19, 2016: 103,414,603 shares.

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Special Note Regarding Forward-Looking Statement

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements.

Forward-looking statements generally can be identified by the words “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “estimate,” or “continue,” and similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events, as well as trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These statements include, among other things:

- our expectations regarding revenue, costs and expenses;
- our plans regarding investing in our content delivery network, as well as other products and technologies;
- our beliefs regarding the growth of, and competition within, the content delivery industry;
- our beliefs regarding the growth of our business and how that impacts our liquidity and capital resources requirements;
- the impact of certain new accounting standards and guidance;
- our plans with respect to investments in marketable securities;
- our expectations regarding litigation and other pending or potential disputes;
- our estimations regarding taxes and belief regarding our tax reserves;
- our beliefs regarding the use of Non-GAAP financial measures;
- our approach to identifying, attracting and keeping new and existing customers, as well as our expectations regarding customer turnover;
- the sufficiency of our sources of funding;
- our belief regarding our interest rate risk;
- our beliefs regarding inflation risks;
- our beliefs regarding expense and productivity of and competition for our sales force; and
- our beliefs regarding the significance of our large customers.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the caption “Risk Factors” in Part II, Item 1A in this Quarterly Report on Form 10-Q and those discussed in other documents we file with the Securities and Exchange Commission (SEC).

In addition, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

The forward-looking statements contained herein are based on our current expectations and assumptions and on information available as of the date of the filing of this Quarterly Report on Form 10-Q. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Limelight," "we," "us," and "our" in this document refer to Limelight Networks, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. All information is presented in thousands, except per share amounts, customer count and where specifically noted.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Limelight Networks, Inc.

Consolidated Balance Sheets

(In thousands, except per share data)

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,141	\$ 44,680
Marketable securities	—	28,322
Accounts receivable, net	27,452	26,795
Income taxes receivable	186	170
Deferred income taxes	83	89
Prepaid expenses and other current assets	6,054	9,578
Total current assets	57,916	109,634
Property and equipment, net	33,330	36,143
Marketable securities, less current portion	40	40
Restricted cash	62,790	—
Deferred income taxes, less current portion	1,207	1,252
Goodwill	76,370	76,143
Other assets	2,071	2,415
Total assets	\$ 233,724	\$ 225,627
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,585	\$ 9,137
Deferred revenue	3,379	2,890
Capital lease obligations	821	466
Income taxes payable	85	204
Other current liabilities	8,619	10,857
Total current liabilities	20,489	23,554
Long-term debt	12,790	—
Capital lease obligations, less current portion	2,345	1,436
Deferred income taxes	141	137
Deferred revenue, less current portion	77	92
Other long-term liabilities	2,137	2,311
Total liabilities	37,979	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; 103,399 and 102,299 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	103	102
Additional paid-in capital	480,092	477,202
Accumulated other comprehensive loss	(10,109)	(10,812)
Accumulated deficit	(274,341)	(268,395)
Total stockholders' equity	195,745	198,097
Total liabilities and stockholders' equity	\$ 233,724	\$ 225,627

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

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Limelight Networks, Inc.

Unaudited Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenues	\$41,422	\$42,329
Cost of revenue:		
Cost of services (1)	20,110	21,657
Depreciation — network	4,668	4,153
Total cost of revenue	24,778	25,810
Gross profit	16,644	16,519
Operating expenses:		
General and administrative	6,808	6,850
Sales and marketing	8,903	10,276
Research and development	6,325	6,263
Depreciation and amortization	623	640
Total operating expenses	22,659	24,029
Operating loss	(6,015)	(7,510)
Other income (expense):		
Interest expense	(179)	