

RingCentral Inc
Form 10-Q
August 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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 June 30, 2015

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: 001-36089

RingCentral, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware 94-3322844
(State or other jurisdiction (I.R.S. Employer

of incorporation or organization) Identification No.)

20 Davis Drive

Belmont, California 94002

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(Address of principal executive offices)

(650) 472-4100

(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 (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

As of July 29, 2015, there were 56,070,071 shares of Class A Common Stock issued and outstanding and 14,294,613 shares of Class B Common Stock outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in, but not limited to, the sections titled "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts", "projects," "should," "will," "would" or similar expressions and the negative terms. Forward-looking statements include, but are not limited to, statements about:

- the timing of acquisitions of, or making and exiting investments in, other entities, businesses or technologies;
- our success in the enterprise market and with our carrier partners;
- our progress against short term and long term goals;
- our anticipated benefits from our acquisition of Glip, Inc.;
- our ability to successfully and timely integrate, and realize the benefits of, our acquisition of Glip, Inc. and any other significant acquisitions we may make;
- our future financial performance;
- our anticipated growth and growth strategies and our ability to effectively manage that growth and effect these strategies;
- anticipated trends, developments and challenges in our business and in the markets in which we operate, as well as general macroeconomic conditions;
- our ability to anticipate and adapt to future changes in our industry;
- our ability to predict subscription revenues, formulate accurate financial projections and make strategic business decisions based on our analysis of market trends;
- our ability to anticipate market needs and develop new and enhanced products and services to meet those needs, and our ability to successfully monetize them;
- maintaining and expanding our customer base;
- maintaining, expanding and responding to changes in our relationships with other companies;
- maintaining and expanding our distribution channels, including our network of sales agents and resellers;
- the impact of competition in our industry and innovation by our competitors;
- our ability to sell our products;
- our ability to expand our business to medium-sized and larger customers and internationally;
- our ability to realize increased purchasing leverage and economies of scale as we expand;
- the impact of seasonality on our business;
- the impact of any failure of our solutions or solution innovations;
- our reliance on our third-party service providers;
- the potential effect on our business of litigation to which we may become a party;
- our liquidity and working capital requirements;
- our capital expenditure projections;
- the estimates and estimate methodologies used in preparing our condensed consolidated financial statements; and
- the political environment and stability in the regions in which we or our subcontractors operate.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the section entitled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management’s beliefs and assumptions only as of the date of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward looking statements, even if new information becomes available in the future.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

RINGCENTRAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	June 30, 2015	December 31, 2014
Assets:		
Current assets:		
Cash and cash equivalents	\$120,789	\$113,182
Short-term investments	11,914	28,479
Accounts receivable, net	12,242	7,651
Inventory	2,372	1,710
Prepaid expenses and other current assets	11,181	8,767
Total current assets	158,498	159,789
Property and equipment, net	28,532	25,527
Goodwill	9,393	—
Acquired intangibles, net	3,777	—
Other assets	2,694	3,021
Total assets	\$202,894	\$188,337
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$6,022	\$4,181
Accrued liabilities	35,952	29,236
Current portion of capital lease obligation	255	509
Current portion of long-term debt	14,491	16,764
Deferred revenue	31,026	25,586
Total current liabilities	87,746	76,276
Long-term debt	5,938	7,813
Sales tax liability	3,887	3,953
Capital lease obligation	363	535
Other long-term liabilities	4,812	3,255
Total liabilities	102,746	91,832
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock	7	7
Additional paid-in capital	297,225	274,844

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Accumulated other comprehensive loss	(167)	(251)
Accumulated deficit	(196,917)	(178,095)
Total stockholders' equity	100,148	96,505
Total liabilities and stockholders' equity	\$202,894	\$188,337

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Subscriptions	\$64,441	\$47,867	\$124,392	\$91,717
Product	6,250	4,920	11,617	9,332
Total revenues	70,691	52,787	136,009	101,049
Cost of revenues:				
Subscriptions	16,505	14,792	32,419	28,506
Product	5,024	4,751	9,657	8,940
Total cost of revenues	21,529	19,543	42,076	37,446
Gross profit	49,162	33,244	93,933	63,603
Operating expenses:				
Research and development	12,297	10,874	24,137	20,547
Sales and marketing	34,626	25,688	66,595	49,645
General and administrative	11,778	9,492	22,309	18,459
Total operating expenses	58,701	46,054	113,041	88,651
Loss from operations	(9,539)	(12,810)	(19,108)	(25,048)
Other income (expense), net:				
Interest expense	(279)	(476)	(682)	(1,077)
Other income (expense), net	238	93	(318)	56
Other income (expense), net	(41)	(383)	(1,000)	(1,021)
Loss before (benefit) provision for income taxes	(9,580)	(13,193)	(20,108)	(26,069)
(Benefit) provision for income taxes	(1,369)	137	(1,286)	165
Net loss	\$(8,211)	\$(13,330)	\$(18,822)	\$(26,234)
Net loss per common share:				
Basic and diluted	\$(0.12)	\$(0.20)	\$(0.27)	\$(0.40)
Weighted-average number of shares used in computing net loss per share:				
Basic and diluted	69,487	67,295	69,124	65,557

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited, in thousands)

	Three Months		Six Months Ended	
	Ended		June 30,	
	June 30,	2014	2015	2014
	2015			
Net loss	\$(8,211)	\$(13,330)	\$(18,822)	\$(26,234)
Other comprehensive gain/(loss):				
Foreign currency translation adjustments, net	(353)	(230)	(13)	(330)
Unrealized gain on available-for-sale securities	146	—	96	—
Comprehensive loss	\$(8,418)	\$(13,560)	\$(18,739)	\$(26,564)

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(18,822)	\$(26,234)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,529	4,590
Share-based compensation	10,038	7,108
Tax benefit from release of valuation allowance	(1,411)	—
Non-cash interest expense related to debt	119	122
Net accretion of discount and amortization of premium on available-for-sale securities	402	—
Loss on disposal of assets	128	24
Deferred income tax	12	82
Changes in assets and liabilities:		
Accounts receivable	(4,591)	(2,073)
Inventory	(661)	(63)
Prepaid expenses and other current assets	(1,976)	(3,911)
Other assets	354	(666)
Accounts payable	1,343	(504)
Accrued liabilities	3,105	5,116
Deferred revenue	5,440	3,619
Other liabilities	374	1,808
Net cash provided by (used in) operating activities	383	(10,982)
Cash flows from investing activities:		
Purchases of property and equipment	(8,326)	(10,506)
Cash paid in business combination, net of cash acquired	(4,670)	—
Proceeds from the maturity of available-for-sale securities	16,260	—
Proceeds from restricted investments	100	—
Net cash provided by (used in) investing activities	3,364	(10,506)
Cash flows from financing activities:		
Net proceeds from secondary public offering of common stock	—	57,167
Proceeds from issuance of stock in connection with stock plans	8,511	5,476
Repayment of debt	(4,267)	(4,751)
Payment of offering costs	—	(1,219)
Repayment of capital lease obligations	(426)	(123)
Net cash provided by financing activities	3,818	56,550
Effect of exchange rate changes on cash and cash equivalents	42	(22)
Net increase in cash and cash equivalents	7,607	35,040
Cash and cash equivalents:		