

AKAMAI TECHNOLOGIES INC
Form 10-Q
August 08, 2018
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 June 30, 2018

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 0-27275

Akamai Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware 04-3432319
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

150 Broadway
Cambridge, MA 02142
(617) 444-3000
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

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 (the "Exchange Act") 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ``

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 August 6, 2018: 169,504,628

Table of Contents

AKAMAI TECHNOLOGIES, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	<u>3</u>
Consolidated Balance Sheets at June 30, 2018 and December 31, 2017	<u>3</u>
Consolidated Statements of Income for the three and six months ended June 30, 2018 and 2017	<u>4</u>
Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2018 and 2017	<u>5</u>
Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017	<u>6</u>
Notes to Unaudited Consolidated Financial Statements	<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>42</u>
Item 4. <u>Controls and Procedures</u>	<u>43</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>43</u>
Item 1A. <u>Risk Factors</u>	<u>43</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>56</u>
Item 6. <u>Exhibits</u>	<u>57</u>
<u>SIGNATURES</u>	<u>58</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$977,488	\$ 313,382
Marketable securities	879,483	398,554
Accounts receivable, net of reserves of \$1,065 and \$1,281 at June 30, 2018, and December 31, 2017, respectively	479,865	461,457
Prepaid expenses and other current assets	147,324	172,853
Total current assets	2,484,160	1,346,246
Property and equipment, net	852,950	862,535
Marketable securities	411,746	567,592
Goodwill	1,494,311	1,498,688
Acquired intangible assets, net	184,934	201,259
Deferred income tax assets	44,230	36,231
Other assets	132,373	136,365
Total assets	\$5,604,704	\$ 4,648,916
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$84,167	\$ 80,278
Accrued expenses	253,241	283,743
Deferred revenue	100,314	70,495
Convertible senior notes	674,629	—
Other current liabilities	23,977	22,178
Total current liabilities	1,136,328	456,694
Deferred revenue	6,075	6,062
Deferred income tax liabilities	18,236	17,823
Convertible senior notes	855,378	662,913
Other liabilities	143,409	142,955
Total liabilities	2,159,426	1,286,447
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 700,000 shares designated as Series A Junior Participating Preferred Stock; no shares issued or outstanding	—	—
Common stock, \$0.01 par value; 700,000,000 shares authorized; 171,763,861 shares issued and 169,311,093 shares outstanding at June 30, 2018, and 169,893,324 shares issued and outstanding at December 31, 2017	1,718	1,699
Additional paid-in capital	4,303,531	4,073,362
Accumulated other comprehensive loss	(41,970) (21,930
Treasury stock, at cost, 2,452,768 shares at June 30, 2018, and no shares at December 31, 2017	(185,512) —
Accumulated deficit	(632,489) (690,662
Total stockholders' equity	3,445,278	3,362,469

Total liabilities and stockholders' equity	\$5,604,704	\$4,648,916
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The accompanying notes are an integral part of the consolidated financial statements.

3

Table of ContentsAKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$662,759	\$605,832	\$1,331,483	\$1,206,125
Costs and operating expenses:				
Cost of revenue (exclusive of amortization of acquired intangible assets shown below)	235,487	214,680	470,312	420,407
Research and development	59,709	53,373	124,774	105,535
Sales and marketing	131,680	117,944	254,233	232,436
General and administrative	170,206	123,518	324,591	238,527
Amortization of acquired intangible assets	8,294	7,753	16,725	15,322
Restructuring charges	266	2,971	15,174	2,971
Total costs and operating expenses	605,642	520,239	1,205,809	1,015,198
Income from operations	57,117	85,593	125,674	190,927
Interest income	6,409	4,281	10,374	8,905
Interest expense	(9,204)	(4,646)	(14,054)	(9,243)
Other (expense) income, net	(2,769)	563	(2,748)	(121)
Income before provision for income taxes	51,553	85,791	Cost **	Current value
*	Participant Loans ***	Rates of 3.25% - 8.25% maturity dates from 1 to 10 years	\$	651,102

* Party-in-interest to the Plan.

** Cost omitted for participant-directed investments.

*** The accompanying financial statements classify participant loans as notes receivable from participants.