

RingCentral Inc
Form 10-Q
May 04, 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 March 31, 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

Edgar Filing: RingCentral Inc - Form 10-Q

(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 April 28, 2015, there were 54,537,338 shares of Class A Common Stock issued and outstanding and 14,531,831 shares of Class B Common Stock outstanding.

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements:</u>	4
<u>Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2015 and 2014 (unaudited)</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (unaudited)</u>	7
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	8
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	27
 <u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	28
Item 1A. <u>Risk Factors</u>	28
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	56
Item 3. <u>Default Upon Senior Securities</u>	56
Item 4. <u>Mine Safety Disclosures</u>	56
Item 5. <u>Other Information</u>	56
Item 6. <u>Exhibits</u>	56
<u>Signatures</u>	58

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:

- 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;
- 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)

	March 31, 2015	December 31, 2014
Assets:		
Current assets:		
Cash and cash equivalents	\$ 114,152	\$ 113,182
Short-term investments	21,554	28,479
Accounts receivable, net	11,572	7,651
Inventory	2,054	1,710
Prepaid expenses and other current assets	9,521	8,767
Total current assets	158,853	159,789
Property and equipment, net	26,697	25,527
Other assets	2,609	3,021
Total assets	\$ 188,159	\$ 188,337
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 4,923	\$ 4,181
Accrued liabilities	32,804	29,236
Current portion of capital lease obligation	377	509
Current portion of long-term debt	14,434	16,764
Deferred revenue	28,325	25,586
Total current liabilities	80,863	76,276
Long-term debt	6,875	7,813
Sales tax liability	3,887	3,953
Capital lease obligation	450	535
Other long-term liabilities	3,660	3,255
Total liabilities	95,735	91,832
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock	7	7
Additional paid-in capital	281,083	274,844
Accumulated other comprehensive gain/(loss)	40	(251)
Accumulated deficit	(188,706)	(178,095)

Edgar Filing: RingCentral Inc - Form 10-Q

Total stockholders' equity	92,424	96,505
Total liabilities and stockholders' equity	\$188,159	\$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 March 31,	
	2015	2014
Revenues:		
Subscriptions	\$59,951	\$43,850
Product	5,367	4,412
Total revenues	65,318	48,262
Cost of revenues:		
Subscriptions	15,914	13,714
Product	4,633	4,189
Total cost of revenues	20,547	17,903
Gross profit	44,771	30,359
Operating expenses:		
Research and development	11,840	9,673
Sales and marketing	31,969	23,957
General and administrative	10,531	8,967
Total operating expenses	54,340	42,597
Loss from operations	(9,569)	(12,238)
Other income (expense), net:		
Interest expense	(403)	(601)
Other income (expense), net	(556)	(37)
Other income (expense), net	(959)	(638)
Loss before provision for income taxes	(10,528)	(12,876)
Provision for income taxes	83	28
Net loss	\$(10,611)	\$(12,904)
Net loss per common share:		
Basic and diluted	\$(0.15)	\$(0.20)
Weighted-average number of shares used in computing net loss per share:		
Basic and diluted	68,764	63,800

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited, in thousands)

	Three Months Ended March 31,	
	2015	2014
Net loss	\$(10,611)	\$(12,904)
Other comprehensive gain/(loss):		
Foreign currency translation adjustments, net	340	(100)
Unrealized loss on available-for-sale securities	(50)	-
Comprehensive loss	\$(10,321)	\$(13,004)

See accompanying notes to condensed consolidated financial statements

RINGCENTRAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(10,611)	\$(12,904)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,224	2,119
Share-based compensation	4,747	3,177
Noncash interest expense related to debt	62	73
Net accretion of discount and amortization of premium on available-for-sale securities	95	—
Loss on disposal of assets	11	4
Deferred income tax	14	1
Changes in assets and liabilities:		
Accounts receivable	(3,921)	(828)
Inventory	(343)	(190)
Prepaid expenses and other current assets	(754)	(1,561)
Other assets	614	(188)
Accounts payable	485	(1,353)
Accrued liabilities	2,812	7,009
Deferred revenue	2,739	1,763
Other liabilities	139	415
Net cash used in operating activities	(687)	(2,463)
Cash flows from investing activities:		
Purchases of property and equipment	(3,298)	(3,509)
Proceeds from the maturity of available-for-sale securities	6,780	—
Proceeds from restricted investments	100	—
Net cash provided by (used in) investing activities	3,582	(3,509)
Cash flows from financing activities:		
Net proceeds from secondary public offering of common stock	—	57,167
Repayment of debt	(3,330)	(2,330)
Repayment of capital lease obligations	(216)	(113)
Payment of offering costs	—	(246)
Proceeds from issuance of stock in connection with stock plans	1,482	1,943
Net cash provided by (used in) financing activities	(2,064)	