

VERISIGN INC/CA
Form 10-Q
April 28, 2016

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: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

Delaware 94-3221585

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

12061 Bluemont Way, Reston, Virginia 20190
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (703) 948-3200

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| Class | Shares Outstanding as of April 22, 2015 |
|--------------------------------|---|
| Common stock, \$.001 par value | 108,475,524 |

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

As required under Item 1—Financial Statements included in this section are as follows:

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VERISIGN, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except par value)
 (Unaudited)

| | March 31, 2016 | December 31, 2015 |
|--|-------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$234,025 | \$228,659 |
| Marketable securities | 1,661,804 | 1,686,771 |
| Accounts receivable, net | 16,188 | 12,638 |
| Other current assets | 34,040 | 39,856 |
| Total current assets | 1,946,057 | 1,967,924 |
| Property and equipment, net | 286,202 | 295,570 |
| Goodwill | 52,527 | 52,527 |
| Deferred tax assets | 15,324 | 17,361 |
| Other long-term assets | 23,563 | 24,355 |
| Total long-term assets | 377,616 | 389,813 |
| Total assets | \$2,323,673 | \$2,357,737 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$148,677 | \$188,171 |
| Deferred revenues | 703,599 | 680,483 |
| Subordinated convertible debentures, including contingent interest derivative | 629,437 | 634,326 |
| Total current liabilities | 1,481,713 | 1,502,980 |
| Long-term deferred revenues | 288,741 | 280,859 |
| Senior notes | 1,235,813 | 1,235,354 |
| Deferred tax liabilities | 310,856 | 294,194 |
| Other long-term tax liabilities | 114,573 | 114,797 |
| Total long-term liabilities | 1,949,983 | 1,925,204 |
| Total liabilities | 3,431,696 | 3,428,184 |
| Commitments and contingencies | | |
| Stockholders' deficit: | | |
| Preferred stock—par value \$.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none | <u> </u> | <u> </u> |
| Common stock—par value \$.001 per share; Authorized shares: 1,000,000; Issued shares: 323,884 at March 31, 2016 and 322,990 at December 31, 2015; Outstanding shares: 108,879 at March 31, 2016 and 110,072 at December 31, 2015 | 324 | 323 |
| Additional paid-in capital | 17,412,920 | 17,558,822 |
| Accumulated deficit | (18,518,143) | (18,625,599) |
| Accumulated other comprehensive loss | (3,124) | (3,993) |
| Total stockholders' deficit | (1,108,023) | (1,070,447) |
| Total liabilities and stockholders' deficit | \$2,323,673 | \$2,357,737 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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VERISIGN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended | |
|--|--------------------|-----------|
| | March 31, | |
| | 2016 | 2015 |
| Revenues | \$281,876 | \$258,422 |
| Costs and expenses: | | |
| Cost of revenues | 50,582 | 48,353 |
| Sales and marketing | 20,027 | 22,382 |
| Research and development | 16,743 | 17,152 |
| General and administrative | 27,757 | 26,298 |
| Total costs and expenses | 115,109 | 114,185 |
| Operating income | 166,767 | 144,237 |
| Interest expense | (28,804) | (22,017) |
| Non-operating income (loss), net | 3,121 | (5,555) |
| Income before income taxes | 141,084 | 116,665 |
| Income tax expense | (33,628) | (28,427) |
| Net income | 107,456 | 88,238 |
| Unrealized gain on investments | 935 | 87 |
| Realized (gain) on investments, included in net income | (66) | (4) |
| Other comprehensive income | 869 | 83 |
| Comprehensive income | \$108,325 | \$88,321 |
| Earnings per share: | | |
| Basic | \$0.98 | \$0.75 |
| Diluted | \$0.82 | \$0.66 |
| Shares used to compute earnings per share | | |
| Basic | 109,592 | 117,139 |
| Diluted | 131,581 | 133,850 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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VERISIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Three Months Ended March 31, | |
|---------------------------------------|------------------------------------|------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net income | \$107,456 | |