

COMSCORE, INC.
Form 10-Q
November 09, 2018
Table of Contents

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 September 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: 001-33520

comScore, Inc.

(Exact name of registrant as specified in its charter)

Delaware 54-1955550
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

11950 Democracy Drive, Suite 600
Reston, Virginia 20190
(Address of Principal Executive Offices)
(703) 438-2000
(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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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

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.

Edgar Filing: COMSCORE, INC. - Form 10-Q

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 registrant's classes of common stock, as of the latest practicable date: As of November 6, 2018, there were 58,906,715 shares of the registrant's common stock outstanding.

Table of Contents

COMSCORE, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
TABLE OF CONTENTS

<u>Cautionary Note Regarding Forward Looking Statements</u>	<u>i</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	<u>2</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
<u>Item 3. Quantitative and Qualitative Disclosure about Market Risk</u>	<u>50</u>
<u>Item 4. Controls and Procedures</u>	<u>52</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>54</u>
<u>Item 1A. Risk Factors</u>	<u>54</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>57</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>58</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>58</u>
<u>Item 5. Other Information</u>	<u>58</u>
<u>Item 6. Exhibits</u>	<u>59</u>
<u>SIGNATURE</u>	<u>61</u>

Table of Contents

PART I. FINANCIAL INFORMATION

1

Table of Contents

ITEM 1. FINANCIAL STATEMENTS

COMSCORE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	As of September 30, 2018 (Unaudited)	As of December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,876	\$ 37,859
Restricted cash	6,338	7,266
Accounts receivable, net of allowances of \$1,073 and \$1,991, respectively (\$2,759 and \$2,899 of accounts receivable attributable to related parties, respectively)	61,900	82,029
Prepaid expenses and other current assets	20,254	15,168
Insurance recoverable on litigation settlements	—	37,232
Total current assets	136,368	179,554
Property and equipment, net	27,315	28,893
Other non-current assets	9,572	7,259
Deferred tax assets	3,591	4,532
Intangible assets, net	135,110	159,777
Goodwill	641,594	642,424
Total assets	\$ 953,550	\$ 1,022,439
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable (\$1,467 and \$2,715 attributable to related parties, respectively)	\$ 19,716	\$ 27,889
Accrued expenses (\$5,089 and \$5,857 attributable to related parties, respectively)	48,352	86,031
Accrued litigation settlements	4,375	27,718
Other current liabilities	8,029	10,485
Customer advances (\$2,188 and \$2,755 attributable to related parties, respectively)	72,119	98,367
Total current liabilities	152,591	250,490
Financing derivatives (related party)	21,800	—
Senior secured convertible notes (related party)	175,850	—
Deferred tax liabilities	6,033	3,641
Accrued litigation settlements	875	90,800
Other non-current liabilities	27,859	21,016
Total liabilities	385,008	365,947
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value per share; 5,000,000 shares authorized at September 30, 2018 and December 31, 2017; no shares issued or outstanding as of September 30, 2018 and December 31, 2017	—	—
Common stock, \$0.001 par value per share; 150,000,000 shares authorized as of September 30, 2018 and 100,000,000 shares authorized as of December 31, 2017; 65,664,431 shares issued and 58,899,635 shares outstanding as of September 30, 2018, and 60,053,843 shares issued and 57,289,047 shares outstanding as of December 31, 2017	59	60
Additional paid-in capital	1,549,371	1,407,717

Edgar Filing: COMSCORE, INC. - Form 10-Q

Accumulated other comprehensive loss	(9,013)	(6,224)
Accumulated deficit	(741,891)	(609,091)
Treasury stock, at cost, 6,764,796 and 2,764,796 shares as of September 30, 2018 and December 31, 2017, respectively	(229,984)	(135,970)
Total stockholders' equity	568,542		656,492	
Total liabilities and stockholders' equity	\$ 953,550		\$ 1,022,439	

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

COMSCORE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenues ⁽¹⁾	\$ 102,864	\$ 100,323	\$ 310,172	\$ 300,623
Cost of revenues ^{(1) (2) (3)}	49,446	48,803	148,226	143,417
Selling and marketing ^{(1) (2) (3)}	24,866	29,873	80,418	90,796
Research and development ^{(1) (2) (3)}	18,742	21,580	58,347	64,102
General and administrative ^{(1) (2) (3)}	18,707	22,331	66,067	53,426
Investigation and audit related ⁽¹⁾	696	21,392	37,446	56,469
Amortization of intangible assets	7,896	8,491	24,706	25,669
Settlement of litigation, net	—	81,799	5,250	82,417
Restructuring	51	—	5,141	—
Total expenses from operations	120,404	234,269	425,601	516,296
Loss from operations	(17,540)	(133,946)	(115,429)	(215,673)
Interest expense, net ⁽¹⁾	(4,682)	(148)	(11,711)	(554)
Other (expense) income, net	(1,711)	6,619	(827)	12,486
Loss from foreign currency transactions	(304)	(298)	(181)	(1,523)
Loss before income taxes	(24,237)	(127,773)	(128,148)	(205,264)
Income tax provision	(400)	(2,296)	(3,916)	(4,223)
Net loss	\$(24,637)	\$(130,069)	\$(132,064)	\$(209,487)
Net loss per common share:				
Basic	\$(0.42)	\$(2.26)	\$(2.32)	\$(3.65)
Diluted	\$(0.42)	\$(2.26)	\$(2.32)	\$(3.65)
Weighted-average number of shares used in per share calculation -				
Common Stock:				
Basic	58,212,306	57,547,863	56,877,186	57,442,180
Diluted	58,212,306	57,547,863	56,877,186	57,442,180
Comprehensive loss:				
Net loss	\$(24,637)	\$(130,069)	\$(132,064)	\$(209,487)
Other comprehensive (loss) income:				
Foreign currency cumulative translation adjustment	(429)	1,349	(2,789)	4,304
Other	—	23	—	57
Total comprehensive loss	\$(25,066)	\$(128,697)	\$(134,853)	\$(205,126)

⁽¹⁾ Transactions with related parties are included in the line items above (refer to Footnote 8, Related Party Transactions, of the Notes to Condensed Consolidated Financial Statements for additional information).

⁽²⁾ Stock-based compensation expense is included in the line items above as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Cost of revenues	\$ 1,248	\$ 384	\$ 5,235	\$ 1,446
Selling and marketing	1,860	1,461	8,227	4,439
Research and development	1,137	537	5,453	1,808

Edgar Filing: COMSCORE, INC. - Form 10-Q

General and administrative	2,066	6,340	12,276	7,673
	\$6,311	\$8,722	\$31,191	\$15,366

⁽³⁾ Excludes amortization of intangible assets, which is presented separately in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

See accompanying Notes to Condensed Consolidated Financial Statements.

3

Table of Contents

COMSCORE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury stock, at cost	Total Stockholders' Equity
	Shares	Amount					
Balance as of December 31, 2017	57,289,047	\$ 60	\$1,407,717	\$ (6,224)	\$ (609,091)	\$(135,970)	\$ 656,492
Adoption of ASC 606	—	—	—	—	(736)	—	(736)
Net loss	—	—	—	—	(132,064)	—	(132,064)
Foreign currency translation adjustment	—	—	—	(2,789)	—	—	(2,789)
Subscription receivable	—	—	8,566	—	—	—	8,566
Common Stock warrants issuable	—	—	5,545	—	—	—	5,545
Exercise of Common Stock options, net	222,229	—	2,855	—	—	—	