

Limelight Networks, Inc.  
Form 10-Q  
July 27, 2017  
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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, 2017

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 001-33508

Limelight Networks, Inc.  
(Exact name of registrant as specified in its charter)

Delaware 20-1677033  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
222 South Mill Avenue, 8<sup>th</sup> Floor  
Tempe, AZ 85281  
(Address of principal executive offices, including Zip Code)  
(602) 850-5000  
(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, 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   
(Do not check if a smaller reporting company) Emerging Growth Company

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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, par value \$0.001 per share, as of July 20, 2017: 109,248,623 shares.

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Special Note Regarding Forward-Looking Statement

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements.

Forward-looking statements generally can be identified by the words “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “estimate,” or “continue,” and similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events, as well as trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These statements include, among other things:

- our beliefs regarding delivery traffic growth trends and demand for digital content;
- our expectations regarding revenue, costs and expenses;
- our plans regarding investing in our content delivery network, as well as other products and technologies;
- our beliefs regarding the growth of, and competition within, the content delivery industry;
- our beliefs regarding the growth of our business and how that impacts our liquidity and capital resources requirements;
- our expectations regarding headcount;
- the impact of certain new accounting standards and guidance as well as the time and cost of continued compliance with existing rules and standards;
- our plans with respect to investments in marketable securities;
- our expectations and strategies regarding acquisitions;
- our expectations regarding litigation and other pending or potential disputes;
- our estimations regarding taxes and belief regarding our tax reserves;
- our beliefs regarding the use of Non-GAAP financial measures;
- our approach to identifying, attracting and keeping new and existing customers, as well as our expectations regarding customer turnover;
- the sufficiency of our sources of funding;
- our beliefs regarding inflation risks;
- our beliefs regarding expense and productivity of and competition for our sales force; and
- our beliefs regarding the significance of our large customers.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the caption “Risk Factors” in Part II, Item 1A in this Quarterly Report on Form 10-Q and those discussed in other documents we file with the Securities and Exchange Commission (SEC).

In addition, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

The forward-looking statements contained herein are based on our current expectations and assumptions and on information available as of the date of the filing of this Quarterly Report on Form 10-Q. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Limelight," "we," "us," and "our" in this document refer to Limelight Networks, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. All information is presented in thousands, except per share amounts, customer count and where specifically noted.



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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## Limelight Networks, Inc.

## Consolidated Balance Sheets

(In thousands, except per share data)

	June 30, 2017 (Unaudited)	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 22,972	\$ 21,734
Marketable securities	37,624	44,453
Accounts receivable, net	28,154	27,418
Income taxes receivable	112	125
Prepaid expenses and other current assets	4,121	4,865
Total current assets	92,983	98,595
Property and equipment, net	30,415	30,352
Marketable securities, less current portion	40	40
Deferred income taxes	1,307	1,105
Goodwill	77,032	76,243
Other assets	1,802	1,794
Total assets	\$ 203,579	\$ 208,129
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 10,763	\$ 8,790
Deferred revenue	1,741	2,138
Income taxes payable	334	188
Provision for litigation	18,000	18,000
Other current liabilities	12,722	12,836
Total current liabilities	43,560	41,952
Deferred income taxes	147	152
Deferred revenue, less current portion	15	22
Provision for litigation, less current portion	18,000	27,000
Other long-term liabilities	1,057	1,435
Total liabilities	62,779	70,561
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value; 7,500 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value; 300,000 shares authorized; 109,248 and 107,059 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	109	107
Additional paid-in capital	497,018	490,819
Accumulated other comprehensive loss	(9,045	) (11,038 )
Accumulated deficit	(347,282	) (342,320 )
Total stockholders' equity	140,800	137,568
Total liabilities and stockholders' equity	\$ 203,579	\$ 208,129

The accompanying notes are an integral part of the unaudited consolidated financial statements.



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Limelight Networks, Inc.

Unaudited Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Revenues	\$45,370	\$43,560	\$90,105	\$84,982
Cost of revenue:				
Cost of services (1)	19,464	20,271	38,471	40,380
Depreciation — network	4,531	4,489	9,088	9,157
Total cost of revenue	23,995	24,760	47,559	49,537
Gross profit	21,375	18,800	42,546	35,445
Operating expenses:				
General and administrative				