

Section 1: 10-Q (10-Q)

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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 September 30, 2019

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

(State or other jurisdiction of
incorporation or organization)

20-1677033

(I.R.S. Employer
Identification No.)

**1465 North Scottsdale Road, Suite 400
Scottsdale, AZ 85257**

(Address of principal executive offices, including Zip Code)

(602) 850-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	LLNW	Nasdaq

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.

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 October 11, 2019: 116,523,442 shares.

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FORM 10-Q
Quarterly Period Ended September 30, 2019
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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 and edge services;
- our expectations regarding revenue, costs, expenses, gross margin, non-GAAP earnings per share, Adjusted EBITDA and capital expenditures;
- 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 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 our interest rate risk;
- 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, headcount 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)

	September 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,832	\$ 25,383
Marketable securities	3,218	25,083
Accounts receivable, net	35,818	26,041
Income taxes receivable	77	122
Prepaid expenses and other current assets	9,522	14,789
Total current assets	63,467	91,418
Property and equipment, net	46,304	27,378
Operating lease right of use assets	12,667	—
Marketable securities, less current portion	40	40
Deferred income taxes	1,474	1,462
Goodwill	77,051	76,407
Other assets	7,394	2,220
Total assets	\$ 208,397	\$ 198,925
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 20,641	\$ 9,216
Deferred revenue	1,205	1,883
Operating lease liability obligations	1,870	—
Income taxes payable	325	124
Provision for litigation	—	9,000
Other current liabilities	12,516	12,922
Total current liabilities	36,557	33,145
Operating lease liability obligations, less current portion	13,331	—
Deferred income taxes	123	152
Deferred revenue, less current portion	162	42
Other long-term liabilities	300	435
Total liabilities	50,473	33,774
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; 116,513 and 114,246 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	117	114
Additional paid-in capital	524,758	513,682
Accumulated other comprehensive loss	(9,837)	(10,033)
Accumulated deficit	(357,114)	(338,612)
Total stockholders' equity	157,924	165,151
Total liabilities and stockholders' equity	\$ 208,397	\$ 198,925

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)

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 51,321	\$ 49,315	\$ 140,505	\$ 151,678
Cost of revenue:				
Cost of services	25,602	21,519	71,311	63,779
Depreciation — network	4,961	3,761	13,905	12,337
Total cost of revenue	30,563	25,280	85,216	76,116
Gross profit	20,758	24,035	55,289	75,562
Operating expenses:				
General and administrative	7,356	7,851	23,231	24,890
Sales and marketing	10,713	9,766	32,679	30,068
Research and development	5,160	5,882	17,075	18,294
Depreciation and amortization	172	616	545	1,837
Total operating expenses	23,401	24,115	73,530	75,089
Operating (loss) income	(2,643)	(80)	(18,241)	473
Other income (expense):				
Interest expense	(10)	(10)	(30)	(76)
Interest income	81	177	402	440
Settlement and patent license income	—	—	—	14,900
Other, net	(13)	(246)	(89)	(355)
Total other income (expense)	58	(79)	283	14,909
(Loss) income before income taxes	(2,585)	(159)	(17,958)	15,382
Income tax expense	166	113	544	347
Net (loss) income	\$ (2,751)	\$ (272)	\$ (18,502)	\$ 15,035
Net (loss) income per share:				
Basic	\$ (0.02)	\$ —	\$ (0.16)	\$ 0.13
Diluted				