

REALNETWORKS INC
Form 10-Q
August 04, 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 June 30, 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 0-23137

RealNetworks,
Inc.

(Exact name of
registrant as
specified in its
charter)

Washington 91-1628146

(State of incorporation) (I.R.S. Employer Identification Number)

1501
First
Avenue
South, Suite 98134

600
Seattle,
Washington
(Address of principal executive offices) (Zip Code)

(206) 674-2700
(Registrant's telephone number, including area code)

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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 (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

The number of shares of the registrant's Common Stock outstanding as of July 29, 2016 was 36,799,536.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REALNETWORKS, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,133	\$ 47,315
Short-term investments	42,656	51,814
Trade accounts receivable, net of allowances	24,617	22,511
Deferred costs, current portion	889	460
Prepaid expenses and other current assets	4,716	7,140
Total current assets	109,011	129,240
Equipment, software, and leasehold improvements, at cost:		
Equipment and software	60,383	66,702
Leasehold improvements	3,607	3,122
Total equipment, software, and leasehold improvements, at cost	63,990	69,824
Less accumulated depreciation and amortization	56,887	61,024
Net equipment, software, and leasehold improvements	7,103	8,800
Restricted cash equivalents and investments	3,000	2,890
Available for sale securities	1,920	1,721
Other assets	2,243	2,307
Deferred costs, non-current portion	1,136	212
Deferred tax assets, net	1,006	957
Other intangible assets, net	1,545	2,136
Goodwill	12,973	13,080
Total assets	\$ 139,937	\$ 161,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,442	\$ 17,050
Accrued and other current liabilities	15,566	17,320
Deferred revenue, current portion	3,278	3,497
Total current liabilities	36,286	37,867
Deferred revenue, non-current portion	466	105
Deferred rent	665	620
Deferred tax liabilities, net	89	88
Other long-term liabilities	1,511	1,980
Total liabilities	39,017	40,660
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.001 par value, no shares issued and outstanding:		
Series A: authorized 200 shares	—	—
Undesignated series: authorized 59,800 shares	—	—
Common stock, \$0.001 par value authorized 250,000 shares; issued and outstanding 36,799 shares in 2016 and 36,298 shares in 2015	37	36
Additional paid-in capital	630,848	627,316

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Accumulated other comprehensive loss	(59,258)	(59,480)
Retained deficit	(470,707)	(447,189)
Total shareholders' equity	100,920	120,683
Total liabilities and shareholders' equity	\$139,937	\$ 161,343

See accompanying notes to unaudited condensed consolidated financial statements.

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REALNETWORKS, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share data)

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net revenue (A)	\$29,734	\$33,954	\$57,964	\$64,551
Cost of revenue (B)	15,698	19,832	30,870	36,379
Gross profit	14,036	14,122	27,094	28,172
Operating expenses:				
Research and development	7,167	11,801	16,486	24,180
Sales and marketing	7,749	14,047	16,974	26,884
General and administrative	6,217	7,008	14,294	14,291
Restructuring and other charges	413	1,964	798	2,449
Lease exit and related charges	127	9	958	87
Total operating expenses	21,673	34,829	49,510	67,891
Operating income (loss)	(7,637)	(20,707)	(22,416)	