

VOCERA COMMUNICATIONS, INC.

Form 10-Q

November 05, 2018

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

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FORM 10-Q

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(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: 001-35469

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VOCERA COMMUNICATIONS, INC.  
(Exact name of registrant as specified in its charter)

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Delaware 94-3354663  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
Vocera Communications, Inc.  
525 Race Street  
San Jose, CA 95126  
(408) 882-5100  
(Address and telephone number of principal executive offices)

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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 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 definition of "large accelerated filer," "accelerated filer," "small 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.

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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	Outstanding as of November 2, 2018
Common Stock, \$0.0003 par value per share	30,549,176

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FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018  
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## PART I: FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)  
Vocera Communications, Inc.  
Condensed Consolidated Balance Sheets  
(In Thousands, Except Share and Par Amounts)  
(Unaudited)

	September 30, 2018	December 31, 2017 *As Adjusted
Assets		
Current assets		
Cash and cash equivalents	\$ 32,971	\$ 28,726
Short-term investments	181,982	52,507
Accounts receivable, net of allowance	36,982	35,105
Other receivables	2,289	1,331
Inventories	3,678	2,815
Prepaid expenses and other current assets	4,513	3,957
Total current assets	262,415	124,441
Property and equipment, net	7,058	5,751
Intangible assets, net	10,234	13,567
Goodwill	49,246	49,246
Deferred commissions	9,475	10,301
Other long-term assets	1,718	1,667
Total assets	\$ 340,146	\$ 204,973
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 3,154	\$ 2,678
Accrued payroll and other current liabilities	13,458	14,689
Deferred revenue, current	41,410	40,734
Total current liabilities	58,022	58,101
Deferred revenue, long-term	12,898	14,417
Convertible senior notes, net	108,942	—
Other long-term liabilities	2,907	4,455
Total liabilities	182,769	76,973
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, \$0.0003 par value - 5,000,000 shares authorized as of September 30, 2018 and December 31, 2017; zero shares issued and outstanding	—	—
Common stock, \$0.0003 par value - 100,000,000 shares authorized as of September 30, 2018 and December 31, 2017; 30,456,187 and 29,412,116 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	9	9
Additional paid-in capital	288,936	250,854
Accumulated other comprehensive loss	(323	) (191
Accumulated deficit	(131,245	) (122,672
Total stockholders' equity	157,377	128,000
Total liabilities and stockholders' equity	\$ 340,146	\$ 204,973

\* See Note 1 for a summary of adjustments related to the adoption of the new revenue recognition standard.

The accompanying notes are an integral part of these condensed consolidated financial statements.



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Vocera Communications, Inc.  
Condensed Consolidated Statements of Operations  
(In Thousands, Except Per Share Amounts)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017 *As Adjusted	2018	2017 *As Adjusted
Revenue				
Product	\$27,341	\$26,018	\$70,252	\$67,062
Service	20,481	19,567	60,498	54,807
Total revenue	47,822	45,585	130,750	121,869
Cost of revenue				
Product	6,819	7,208	19,847	20,424
Service	9,865	9,241	30,213	28,358
Total cost of revenue	16,684	16,449	50,060	48,782
Gross profit	31,138	29,136	80,690	73,087
Operating expenses				
Research and development	7,993	6,644	22,630	20,944
Sales and marketing	15,654	14,840	45,942	45,008
General and administrative	6,438	6,088	18,973	17,767
Total operating expenses	30,085	27,572	87,545	83,719
Income (loss) from operations	1,053	1,564	(6,855 )	(10,632 )
Interest income	1,110	177	1,855	410
Interest expense	(2,106 )	—	(3,103 )	—
Other income (expense), net	(158 )	(41 )	(965 )	1
Income (loss) before income taxes	(101 )	1,700	(9,068 )	(10,221 )
Benefit from (provision for) income taxes	(148 )	(309 )	495	(1,050 )
Net income (loss)	\$(249 )	\$1,391	\$(8,573 )	\$(11,271 )
Net income (loss) per share				
Basic	\$(0.01 )	\$0.05	\$(0.29 )	\$(0.40 )
Diluted	\$(0.01 )	\$0.05	\$(0.29 )	\$(0.40 )
Weighted average shares used to compute net income (loss) per share				
Basic	30,230	29,130	29,861	28,439
Diluted	30,230	30,473	29,861	28,439

\* See Note 1 for a summary of adjustments related to the adoption of the new revenue recognition standard.

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Vocera Communications, Inc.  
 Condensed Consolidated Statements of Comprehensive Loss  
 (In Thousands)  
 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
		*As Adjusted		*As Adjusted
Net loss	\$(249)	\$ 1,391	\$(8,573)	\$(11,271)
Other comprehensive loss, net:				
Change in unrealized gain (loss) on investments, net of tax	70	(15 )	(132 )	(24 )
Comprehensive loss	\$(179)	\$ 1,376	\$(8,705)	\$(11,295)

\* See Note 1 for a summary of adjustments related to the adoption of the new revenue recognition standard.

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Vocera Communications, Inc.  
Condensed Consolidated Statements of Cash Flows  
(In Thousands)  
(Unaudited)

	Nine months ended September 30,	
	2018	2017
		* As Adjusted
Cash flows from operating activities		
Net loss	\$(8,573 )	\$(11,271 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,668	5,755
Inventory provision	—	179
Change in lease-related performance obligations	298	(598 )
Stock-based compensation expense	15,477	13,204
Amortization of debt discount and issuance costs	2,301	—
Other	24	28
Changes in operating assets and liabilities:		
Accounts receivable	(1,873 )	(11,310 )
Other receivables	(958 )	96
Inventories	(863 )	1,262
Prepaid expenses and other assets	(605 )	(1,539 )
Deferred commissions	826	(781 )
Accounts payable	435	(436 )
Accrued payroll and other liabilities	(3,389 )	925
Deferred revenue	(843 )	(687 )
Net cash provided by (used in) operating activities	7,925	(5,173 )
Cash flows from investing activities		
Purchase of property and equipment	(3,624 )	(2,420 )
Purchase of short-term investments	(171,039)	(59,608 )
Maturities of short-term investments	41,431	45,963
Net cash used in investing activities	(133,232)	(16,065 )
Cash flows from financing activities		
Cash from lease-related performance obligations	320	347
Proceeds from issuance of convertible senior notes, net of issuance costs	138,854	—
Payment for purchase of capped calls	(8,907 )	—
Proceeds from issuance of common stock from the employee stock purchase plan	1,625	1,246
Proceeds from exercise of stock options	6,439	7,145
Tax withholdings paid on behalf of employees for net share settlement	(8,779 )	(7,693 )
Net cash provided by financing activities	129,552	1,045
Net decrease in cash and cash equivalents	4,245	(20,193 )
Cash and cash equivalents at beginning of period	28,726	35,033
Cash and cash equivalents at end of period	\$32,971	\$14,840
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment in accounts payable and accrued liabilities	\$142	\$40





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\* See Note 1 for a summary of adjustments related to the adoption of the new revenue recognition standard.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Notes to Unaudited Condensed Consolidated Financial Statements

1. The Company and Summary of Significant Accounting Policies