

AKAMAI TECHNOLOGIES INC

Form 10-Q

November 09, 2009

[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, 2009

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 0-27275

Akamai Technologies, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: AKAMAI TECHNOLOGIES INC - Form 10-Q

Delaware
(State or other jurisdiction of

04-3432319
(I.R.S. Employer

incorporation or organization)

8 Cambridge Center

Identification Number)

Cambridge, MA 02142

(617) 444-3000

(Address, Including Zip Code, and Telephone Number,

Including Area Code, of Registrant's Principal Executive Offices)

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 (the Exchange Act) 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 outstanding of the registrant's common stock as of November 5, 2009: 171,279,451 shares.

Table of Contents

AKAMAI TECHNOLOGIES, INC.

FORM 10-Q

For the quarterly period ended September 30, 2009

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1.	3
<u>Financial Statements (unaudited)</u>	
<u>Consolidated Balance Sheets at September 30, 2009 and December 31, 2008</u>	3
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2009 and 2008</u>	4
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2009 and 2008</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
Item 2.	27
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
Item 3.	40
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
Item 4.	42
<u>Controls and Procedures</u>	
<u>PART II. OTHER INFORMATION</u>	
Item 1.	43
<u>Legal Proceedings</u>	
Item 1A.	44
<u>Risk Factors</u>	
Item 2.	53
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
Item 4.	53
<u>Submission of Matters to a Vote of Security Holders</u>	
Item 6.	53
<u>Exhibits</u>	
<u>SIGNATURES</u>	54
<u>EXHIBIT INDEX</u>	55

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2009	December 31, 2008
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 202,802	\$ 156,074
Marketable securities (including restricted securities of \$1,941 at September 30, 2009 and \$3,460 at December 31, 2008)	379,268	174,557
Accounts receivable, net of reserves of \$14,297 and \$11,270 at September 30, 2009 and December 31, 2008, respectively	152,132	139,612
Prepaid expenses and other current assets	37,828	27,124
Deferred income tax assets	4,542	4,542
Total current assets	776,572	501,909
Property and equipment, net	179,826	174,483
Marketable securities (including restricted securities of \$73 at September 30, 2009 and \$153 at December 31, 2008)	391,206	440,996
Goodwill	441,875	441,258
Other intangible assets, net	80,415	92,995
Deferred income tax assets, net	154,246	223,718
Other assets	4,531	5,592
Total assets	\$ 2,028,671	\$ 1,880,951
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24,142	\$ 21,165
Accrued expenses and other current liabilities	54,871	66,132
Deferred revenue	30,423	11,506
Accrued restructuring	869	1,653
Total current liabilities	110,305	100,456
Other liabilities	17,211	10,619
Deferred revenue	2,954	1,251
1% convertible senior notes	199,755	199,855
Total liabilities	330,225	312,181
Commitments, contingencies and guarantees (Note 15)		
Stockholders' equity:		

Edgar Filing: AKAMAI TECHNOLOGIES INC - Form 10-Q

Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 700,000 shares designated as Series A Junior Participating Preferred Stock; no shares issued or outstanding		
Common stock, \$0.01 par value; 700,000,000 shares authorized; 173,903,680 shares issued and 171,222,534 shares outstanding at September 30, 2009 and 169,371,675 shares issued and outstanding at December 31, 2008	1,739	1,694
Additional paid-in capital	4,599,355	4,539,154
Accumulated other comprehensive income (loss), net	(9,527)	(24,350)
Treasury stock, at cost, 2,681,146 shares at September 30, 2009	(51,226)	
Accumulated deficit	(2,841,895)	(2,947,728)
Total stockholders' equity	1,698,446	1,568,770
Total liabilities and stockholders' equity	\$ 2,028,671	\$ 1,880,951

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

Table of Contents

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands, except per share amounts)			
Revenues	\$ 206,500	\$ 197,347	\$ 621,468	\$ 578,370
Costs and operating expenses:				
Cost of revenues	61,987	56,659	182,358	161,922
Research and development	10,904	9,943	31,138	28,766
Sales and marketing	44,106	42,027	127,813	119,159
General and administrative	34,655	33,776	105,867	100,845
Amortization of other intangible assets	4,103	3,173	12,580	10,254
Restructuring charge			454	
Total costs and operating expenses	155,755	145,578	460,210	420,946
Income from operations	50,745	51,769	161,258	157,424
Interest income	3,434	5,678	12,233	19,209
Interest expense	(710)	(684)	(2,130)	(2,104)
Other (expense) income, net	(659)	154	659	(340)
Gain (loss) on investments, net	83	1	643	273
Income before provision for income taxes	52,893	56,918	172,663	174,462
Provision for income taxes	20,148	23,558	66,830	69,857
Net income	\$ 32,745	\$ 33,360	\$ 105,833	\$ 104,605
Net income per weighted average share:				
Basic	\$ 0.19	\$ 0.20	\$ 0.62	\$ 0.63
Diluted	\$ 0.18	\$ 0.18	\$ 0.57	\$ 0.56
Shares used in per share calculations:				
Basic	171,686	168,474	171,588	167,283
Diluted	188,273	187,769	188,671	188,175

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

Table of Contents**AKAMAI TECHNOLOGIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	For the Nine Months Ended September 30,	
	2009	2008
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 105,833	\$ 104,605
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	89,921	70,628
Stock-based compensation expense	41,999	42,370
Provision for deferred income taxes, net	61,784	66,386
Amortization of deferred financing costs	630	630
Provision for doubtful accounts	4,261	1,346
Excess tax benefits from stock-based compensation	(1,371)	(11,033)
Gain on investments and loss on disposal of property and equipment, net	(367)	(287)
Gain on divesture of certain assets	(1,062)	
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	3,895	(10,892)
Prepaid expenses and other current assets	(10,727)	(8,208)
Accounts payable, accrued expenses and other current liabilities	(3,437)	(1,033)
Deferred revenue	2,261	(2,333)
Accrued restructuring	(1,022)	(547)
Other non-current assets and liabilities	6,945	(611)
Net cash provided by operating activities	299,543	251,021
Cash flows from investing activities:		
Purchases of property and equipment	(58,455)	(76,229)
Capitalization of internal-use software development costs	(20,448)	(18,721)
Purchases of short- and long-term marketable securities	(530,794)	(479,555)
Proceeds from sales of short- and long-term marketable securities	304,558	172,100
Proceeds from maturities of short- and long-term marketable securities	91,744	118,356
Cash paid for acquisition of business	(5,779)	
Proceeds from divesture of certain assets	1,350	
Proceeds from the sale of property and equipment	32	76
Decrease in restricted investments held for security deposits	233	