

NEUSTAR INC
Form 10-Q
May 02, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2013

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 001-32548

NeuStar, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

52-2141938
(I.R.S. Employer
Identification No.)

21575 Ridgetop Circle

Sterling, Virginia 20166

(Address of principal executive offices) (zip code)

(571) 434-5400

(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, 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

There were 65,797,846 shares of Class A common stock, \$0.001 par value, and 3,082 shares of Class B common stock, \$0.001 par value, outstanding at April 24, 2013.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****NEUSTAR, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

	December 31, 2012	March 31, 2013 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 340,255	\$ 376,675
Restricted cash	2,543	2,549
Short-term investments	3,666	1,564
Accounts receivable, net of allowance for doubtful accounts of \$2,161 and \$3,013, respectively	131,805	144,319
Unbilled receivables	6,372	6,612
Notes receivable	2,740	2,619
Prepaid expenses and other current assets	17,707	20,344
Deferred costs	7,379	7,291
Income taxes receivable	6,596	
Deferred tax assets	6,693	8,497
Total current assets	525,756	570,470
Property and equipment, net	118,513	113,723
Goodwill	572,178	572,178
Intangible assets, net	288,487	276,115
Notes receivable, long-term	1,008	406
Deferred costs, long-term	702	600
Other assets, long-term	20,080	26,979
Total assets	\$ 1,526,724	\$ 1,560,471

See accompanying notes.

Table of Contents**NEUSTAR, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

	December 31, 2012	March 31, 2013 (unaudited)
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 9,269	\$ 2,926
Accrued expenses	85,424	59,767
Income taxes payable		6,167
Deferred revenue	49,070	48,387
Notes payable	8,125	7,971
Capital lease obligations	1,686	1,105
Other liabilities	3,856	2,844
Total current liabilities	157,430	129,167
Deferred revenue, long-term	9,922	10,061
Notes payable, long-term	576,688	614,271
Capital lease obligations, long-term	817	422
Deferred tax liabilities, long-term	114,130	117,487
Other liabilities, long-term	21,129	21,592
Total liabilities	880,116	893,000
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$0.001 par value; 100,000,000 shares authorized; no shares issued and outstanding as of December 31, 2012 and March 31, 2013		
Class A common stock, par value \$0.001; 200,000,000 shares authorized; 85,958,791 and 86,498,716 shares issued; and 66,171,702 and 66,019,245 outstanding at December 31, 2012 and March 31, 2013, respectively		
	86	87
Class B common stock, par value \$0.001; 100,000,000 shares authorized; 3,082 and 3,082 shares issued and outstanding at December 31, 2012 and March 31, 2013, respectively		
Additional paid-in capital	532,743	550,709
Treasury stock, 19,787,089 and 20,479,471 shares at December 31, 2012 and March 31, 2013, respectively, at cost	(604,042)	(634,879)
Accumulated other comprehensive loss	(767)	(798)
Retained earnings	718,588	752,352
Total stockholders equity	646,608	667,471
Total liabilities and stockholders equity	\$ 1,526,724	\$ 1,560,471

See accompanying notes.

Table of Contents**NEUSTAR, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)**

	Three Months Ended March 31,	
	2012	2013
Revenue:		
Carrier Services	\$ 124,373	\$ 132,171
Enterprise Services	39,485	44,779
Information Services	35,724	39,466
Total revenue	199,582	216,416
Operating expense:		
Cost of revenue (excluding depreciation and amortization shown separately below)	44,898	49,297
Sales and marketing	38,353	42,260
Research and development	7,724	7,484
General and administrative	20,993	21,882
Depreciation and amortization	22,706	24,665
Restructuring charges	522	2
	135,196	145,590
Income from operations	64,386	70,826
Other (expense) income:		
Interest and other expense	(8,193)	(17,562)
Interest and other income	229	141
Income before income taxes	56,422	53,405
Provision for income taxes	22,460	19,641
Net income	\$ 33,962	\$ 33,764
Net income per share:		
Basic	\$ 0.51	\$ 0.51
Diluted	\$ 0.50	\$ 0.50
Weighted average common shares outstanding:		
Basic	67,205	66,184
Diluted	68,478	67,614

See accompanying notes.

Table of Contents**NEUSTAR, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)**

	Three Months Ended March 31,	
	2012	2013
Net income	\$ 33,962	\$ 33,764
Other comprehensive loss, net of tax:		
Available for sale investments, net of tax:		
Change in net unrealized gains, net of tax of \$10 and \$(43), respectively	20	(65)
Reclassification for gains included in net income, net of tax of \$0 and \$0, respectively		
Net change in unrealized gains on investments, net of tax	20	(65)
Foreign currency translation adjustment, net of tax:		
Change in foreign currency translation adjustment, net of tax of \$(69) and \$(11), respectively	(239)	34
Reclassification adjustment included in net income, net of tax of \$0 and \$0, respectively		
Foreign currency translation adjustment, net of tax	(239)	34
Other comprehensive loss, net of tax	(219)	(31)
Comprehensive income	\$ 33,743	\$ 33,733

See accompanying notes.

Table of Contents**NEUSTAR, INC.****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

	Three Months Ended March 31,	
	2012	2013
Operating activities:		
Net income	\$ 33,962	\$ 33,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,743	24,665
Stock-based compensation	3,901	8,957
Loss on debt modification and extinguishment		10,886
Amortization of deferred financing costs and original issue discount on debt	984	870
Excess tax benefits from stock option exercises	(6,5	