

RAMBUS INC
Form 10-Q
July 22, 2016
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 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: 000-22339

RAMBUS INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization) 94-3112828 (I.R.S. Employer Identification No.)

1050 Enterprise Way, Suite 700

94089

Sunnyvale, California

(Address of principal executive offices) (ZIP Code)

Registrant's telephone number, including area code: (408) 462-8000

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.

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 outstanding of the registrant's Common Stock, par value \$.001 per share, was 109,896,610 as of June 30, 2016.

Table of Contents

RAMBUS INC.
TABLE OF CONTENTS

	PAGE
<u>Note Regarding Forward-Looking Statements</u>	<u>3</u>
<u>PART I. FINANCIAL INFORMATION</u>	<u>5</u>
<u>Item 1. Financial Statements (Unaudited):</u>	<u>5</u>
<u>Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015</u>	<u>5</u>
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015</u>	<u>6</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2016 and 2015</u>	<u>7</u>
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015</u>	<u>8</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>41</u>
<u>Item 4. Controls and Procedures</u>	<u>42</u>
<u>PART II. OTHER INFORMATION</u>	<u>43</u>
<u>Item 1. Legal Proceedings</u>	<u>43</u>
<u>Item 1A. Risk Factors</u>	<u>43</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>55</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>56</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>56</u>
<u>Item 5. Other Information</u>	<u>56</u>
<u>Item 6. Exhibits</u>	<u>56</u>
<u>Signature</u>	<u>57</u>
<u>Exhibit Index</u>	<u>58</u>

Table of Contents

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. These forward-looking statements include, without limitation, predictions regarding the following aspects of our future:

- Success in the markets of our products and services or our customers’ products;
- Sources of competition;
- Research and development costs and improvements in technology;
- Sources, amounts and concentration of revenue, including royalties;
- Success in signing and renewing license agreements;
- Terms of our licenses and amounts owed under license agreements;
- Technology product development;
- Dispositions, acquisitions, mergers or strategic transactions and our related integration efforts, including our recent acquisition of Smart Card Software Ltd. and our pending acquisitions of Semtech Corporation’s Snowbush IP and Inphi Corporation’s Memory Interconnect Business;
- Integration of announced acquisitions;
- Impairment of goodwill and long-lived assets;
- Pricing policies of our customers;
- Changes in our strategy and business model, including the expansion of our portfolio of inventions, products and solutions to address additional markets in lighting, chip and system security;
- Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;
- Effects of security breaches or failures in our or our customers’ products and services on our business;
- Engineering, sales and general and administration expenses;
- Contract revenue;
- Operating results;
- International licenses and operations;
- Effects of changes in the economy and credit market on our industry and business;
- Ability to identify, attract, motivate and retain qualified personnel;
- Effects of government regulations on our industry and business;
- Manufacturing and supply partners and/or sale and distribution channels;
- Growth in our business;
- Methods, estimates and judgments in accounting policies;
- Adoption of new accounting pronouncements;
- Effective tax rates;
- Restructurings and plans of termination;
 - Realization of deferred tax assets/release of deferred tax valuation allowance;
- Trading price of our common stock;
- Internal control environment;
- The level and terms of our outstanding debt and the repayment or financing of such debt;
- Litigation expenses;
- Protection of intellectual property;
- Any changes in laws, agency actions and judicial rulings that may impact the ability to enforce intellectual property rights;
- Indemnification and technical support obligations;

Table of Contents

Equity repurchase plans;

Issuances of debt or equity securities, which could involve restrictive covenants or be dilutive to our existing stockholders;

Outcome and effect of potential future intellectual property litigation and other significant litigation; and

Likelihood of paying dividends.

You can identify these and other forward-looking statements by the use of words such as “may,” “future,” “shall,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue,” “projecting” or the negative terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 1A, “Risk Factors.” All forward-looking statements included in this document are based on our assessment of information available to us at this time. We assume no obligation to update any forward-looking statements.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

RAMBUS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2016	December 31, 2015
	(In thousands, except shares and par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 188,011	\$ 143,764
Marketable securities	71,320	143,942
Accounts receivable	11,326	16,408
Prepays and other current assets	12,993	11,476
Total current assets	283,650	315,590
Intangible assets, net	100,900	64,266
Goodwill	162,715	116,899
Property, plant and equipment, net	55,056	56,616
Deferred tax assets	159,097	162,485
Other assets	4,365	2,165
Total assets	\$ 765,783	\$ 718,021
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,269	\$ 4,096
Accrued salaries and benefits	10,040	12,278
Deferred revenue	10,347	5,780
Accrued acquisition liability	11,476	—
Other current liabilities	5,850	6,212
Total current liabilities	43,982	28,366
Convertible notes, long-term	122,744	119,418
Long-term imputed financing obligation	38,355	38,625
Long-term income taxes payable	2,800	2,903
Deferred tax liabilities	14,984	—
Other long-term liabilities	556	2,176
Total liabilities	223,421	191,488
Commitments and contingencies (Notes 9 and 13)		
Stockholders' equity:		
Convertible preferred stock, \$.001 par value:		
Authorized: 5,000,000 shares		
Issued and outstanding: no shares at June 30, 2016 and December 31, 2015	—	—
Common stock, \$.001 par value:		
Authorized: 500,000,000 shares		
Issued and outstanding: 109,896,610 shares at June 30, 2016 and 109,287,591 shares at December 31, 2015	110	109
Additional paid-in capital	1,164,565	1,130,368
Accumulated deficit	(616,117) (604,317
Accumulated other comprehensive income (loss)	(6,196) 373
Total stockholders' equity	542,362	526,533

Total liabilities and stockholders' equity	\$ 765,783	\$ 718,021
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See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

RAMBUS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Revenue:				
Royalties	\$62,835	\$62,387	\$125,712	\$129,350
Contract and other revenue	13,666	10,425	23,471	16,376
Total revenue	76,501	72,812	149,183	145,726
Operating costs and expenses:				
Cost of revenue*	14,089	12,137	26,296	22,893
Research and development*	28,753	29,188	57,280	57,722
Sales, general and administrative*	21,789	17,339	44,884	35,841
Gain from sale of intellectual property	—	(896)	—	(3,156)
Gain from settlement	(138)	(510)	(579)	(1,020)
Total operating costs and expenses	64,493	57,258	127,881	112,280
Operating income	12,008	15,554	21,302	33,446
Interest income and other income (expense), net	1,138	203	1,380	335
Interest expense	(3,163)	(3,091)	(6,304)	(6,174)
Interest and other income (expense), net	(2,025)	(2,888)	(4,924)	(5,839)
Income before income taxes	9,983	12,666	16,378	27,607
Provision for income taxes	6,107	5,805	10,624	11,244
Net income	\$3,876	\$6,861	\$5,754	\$16,363
Net income per share:				
Basic	\$0.04	\$0.06	\$0.05	\$0.14
Diluted	\$0.03	\$0.06	\$0.05	\$0.14
Weighted average shares used in per share calculation:				
Basic	109,904	116,027	109,818	115,683
Diluted	112,061	120,939	112,202	119,225

* Includes stock-based compensation:

Cost of revenue	\$14	\$27	\$28	\$39
Research and development	\$2,109	\$1,988	\$4,189	\$3,755
Sales, general and administrative	\$2,926	\$2,400	\$5,696	\$4,387

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

RAMBUS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
(In thousands)				
Net income	\$ 3,876	\$ 6,861	\$ 5,754	\$ 16,363
Other comprehensive income (loss):				
Foreign currency translation adjustment	(5,559)	9	(6,199)	9
Unrealized gain (loss) on marketable securities, net of tax	(188)	(26)	(371)	27
Total comprehensive income (loss)	\$ (1,871)	\$ 6,844	\$ (816)	\$ 16,399

See Notes to Unaudited Condensed Consolidated Financial Statements

7

Table of Contents

RAMBUS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Cash flows from operating activities:		
Net income	\$5,754	\$16,363
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	9,913	8,181
Depreciation	5,965	6,295
Amortization of intangible assets	15,871	12,645
Non-cash interest expense and amortization of convertible debt issuance costs	3,326	3,140
Deferred income taxes	2,816	1,233
Excess tax benefits from stock-based compensation	(591)	(483)
Gain from sale of intellectual property and property, plant and equipment, net	(37)	(3,151)
Effect of exchange rate on assumed cash liability from acquisition	(624)	—
Change in operating assets and liabilities:		
Accounts receivable	14,809	(744)
Prepaid expenses and other assets	(1,856)	(2,106)
Accounts payable	2,167	(1,873)
Accrued salaries and benefits and other liabilities	(7,422)	(3,803)
Income taxes payable	(3,196)	282
Deferred revenue	1,794	2,418
Net cash provided by operating activities	48,689	38,397
Cash flows from investing activities:		