

RAMBUS INC
Form 10-Q
July 23, 2015
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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, 2015

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)

1050 Enterprise Way, Suite 700

Sunnyvale, California

(Address of principal executive offices)

94-3112828

(I.R.S. Employer Identification No.)

94089

(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 116,360,766 as of June 30, 2015.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly Report”) contains forward-looking statements. 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;
- 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;
 - 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;
- 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.

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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 neg 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.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

RAMBUS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2015	December 31, 2014
	(In thousands, except shares and par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$201,477	\$154,126
Marketable securities	146,649	145,983
Accounts receivable	6,745	6,001
Prepays and other current assets	9,690	8,541
Deferred taxes	1,113	187
Total current assets	365,674	314,838
Intangible assets, net	76,694	89,371
Goodwill	116,899	116,899
Property, plant and equipment, net	60,689	64,023
Deferred taxes, long-term	454	536
Other assets	3,345	2,612
Total assets	\$623,755	\$588,279
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$5,187	\$6,962
Accrued salaries and benefits	11,857	14,840
Deferred revenue	6,551	4,133
Other current liabilities	7,774	8,723
Total current liabilities	31,369	34,658
Convertible notes, long-term	117,949	115,089
Long-term imputed financing obligation	38,874	39,063
Long-term income taxes payable	2,679	2,769
Other long-term liabilities	8,139	5,078
Total liabilities	199,010	196,657
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, 2015 and December 31, 2014	—	—
Common stock, \$.001 par value:		
Authorized: 500,000,000 shares		
Issued and outstanding: 116,360,766 shares at June 30, 2015 and 115,161,675 shares at December 31, 2014	116	115
Additional paid-in capital	1,170,159	1,153,435
Accumulated deficit	(745,164	) (761,526
Accumulated other comprehensive loss	(366	) (402
Total stockholders' equity	424,745	391,622
Total liabilities and stockholders' equity	\$623,755	\$588,279

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands, except per share amounts)			
Revenue:				
Royalties	\$62,387	\$69,741	\$129,350	\$143,378
Contract and other revenue	10,425	6,777	16,376	11,428
Total revenue	72,812	76,518	145,726	154,806
Operating costs and expenses:				
Cost of revenue*	12,137	10,637	22,893	20,659
Research and development*	29,188	27,668	57,722	54,566
Sales, general and administrative*	17,339	18,619	35,841	37,439
Gain from sale of intellectual property	(896	) —	(3,156	) (170
Restructuring charges	—	—	—	39
Gain from settlement	(510	) (510	) (1,020	) (1,020
Total operating costs and expenses	57,258	56,414	112,280	111,513
Operating income	15,554	20,104	33,446	43,293
Interest income and other income (expense), net	203	104	335	117
Interest expense	(3,091	) (8,770	) (6,174	) (18,696
Interest and other income (expense), net	(2,888	) (8,666	) (5,839	) (18,579
Income before income taxes	12,666	11,438	27,607	24,714
Provision for income taxes	5,805	6,395	11,244	11,867
Net income	\$6,861	\$5,043	\$16,363	\$12,847
Net income per share:				
Basic	\$0.06	\$0.04	\$0.14	\$0.11
Diluted	\$0.06	\$0.04	\$0.14	\$0.11
Weighted average shares used in per share calculation:				
Basic	116,027	114,116	115,683	113,854
Diluted	120,939	117,398	119,225	116,733
* Includes stock-based compensation:				
Cost of revenue	\$27	\$15	\$39	\$22
Research and development	\$1,988	\$2,615	\$3,755	\$3,926
Sales, general and administrative	\$2,400	\$2,225	\$4,387	\$3,806

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

(In thousands)	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
	2015	2014	2015	2014	
Net income	\$6,861	\$5,043	\$16,363	\$12,847	
Other comprehensive income:					
Foreign currency translation adjustment	9	—	9	—	
Unrealized gain (loss) on marketable securities, net of tax	(26) (59) 27	(51)
Total comprehensive income	\$6,844	\$4,984	\$16,399	\$12,796	

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Six Months Ended	
	June 30,	
	2015	2014
	(In thousands)	
Cash flows from operating activities:		
Net income	\$16,363	\$12,847
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	8,181	7,754
Depreciation	6,295	6,979
Amortization of intangible assets	12,645	13,554
Non-cash interest expense and amortization of convertible debt issuance costs	3,140	11,711
Deferred income taxes	1,233	5,941
Gain from sale of intellectual property and property, plant and equipment	(3,151	) (170
Change in operating assets and liabilities:		
Accounts receivable	(744	) (10,252
Prepaid expenses and other assets	(2,106	) (1,283
Accounts payable	(1,873	) 756
Accrued salaries and benefits and other liabilities	(3,843	) (19,630
Income taxes payable	282	(3,982
Deferred revenue	2,418	2,229
Net cash provided by operating activities	38,840	26,454
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,117	) (4,293
Purchases of marketable securities	(97,665	) (166,070