8X8 INC /DE/
Form 10-Q
November 08, 2018

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 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 000-21783

8X8, INC.

(Exact name of Registrant as Specified in its Charter)

Delaware	**77-0142404**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

2125 O'Nel Drive
San Jose, CA 95131

(Address of Principal Executive Offices)

(408) 727-1885

(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 reports), and (2) has been subject to such filing requirements for the past 90 days. x 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

x 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	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. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

The number of shares of the Registrant's Common Stock outstanding as of November 2, 2018 was 95,371,181.

FORM 10-Q
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Part I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

8X8, Inc.
CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	September 30, 2018	March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 24,677	$ 31,703
Short-term investments	104,232	120,559
Accounts receivable, net	18,870	16,296
Deferred sales commission costs	13,656	-
Other current assets	13,889	10,040
Total current assets	175,324	178,598
Property and equipment, net	42,395	35,732
Intangible assets, net	12,162	11,958
Goodwill	39,495	40,054
Restricted cash	8,100	8,100
Deferred sales commission costs, noncurrent	29,229	-
Other assets	2,927	2,767
Total assets	$ 309,632	$ 277,209
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 27,649	$ 23,899
Accrued compensation	17,621	17,412
Accrued taxes	12,438	6,367
Deferred revenue	3,354	2,559
Other accrued liabilities	5,200	6,026
Total current liabilities	66,262	56,263
Other liabilities	4,007	2,172
Total liabilities	70,269	58,435
Commitments and contingencies (Note 6)		
Stockholders' equity		
Preferred stock, $0.001 par value:		
Authorized: 5,000,000 shares;		
Issued and outstanding: no shares at September 30, 2018 and 2017	-	-
Common stock, $0.001 par value:		
Authorized: 200,000,000 shares;		
Issued and outstanding: 94,772,267 shares and 92,847,354 shares at September 30, 2018 and March 31, 2018, respectively	95	93
Additional paid-in capital	445,103	425,790
Accumulated other comprehensive loss	(7,435)	(5,645)
Accumulated deficit	(198,400)	(201,464)
Total stockholders' equity	239,363	218,774
Total liabilities and stockholders' equity	$ 309,632	$ 277,209

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

8X8, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts; unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Service revenue	$ 81,346	$ 68,123	$ 159,467	$ 133,214
Product revenue	4,336	4,360	9,440	8,367
Total revenue	85,682	72,483	168,907	141,581
Operating expenses:				
Cost of service revenue	15,866	12,757	30,945	24,419
Cost of product revenue	5,397	5,098	11,678	9,982
Research and development	13,933	8,311	27,043	16,254
Sales and marketing	55,930	41,163	109,235	82,273
General and administrative	16,543	9,616	27,976	18,572
Total operating expenses	107,669	76,945	206,877	151,500
Loss from operations	(21,987)	(4,462)	(37,970)	(9,919)
Other income, net	635	463	1,354	2,515
Loss before income taxes	(21,352)	(3,999)	(36,616)	(7,404)
Provision (benefit) for income taxes	130	(3,453)	221	(4,689)
Net loss	$ (21,482)	$ (546)	$ (36,837)	$ (2,715)
Net loss per share:				
Basic and diluted	$ (0.23)	$ (0.01)	$ (0.39)	$ (0.03)
Weighted-average common shares outstanding:				
Basic and diluted	93,831	91,689	93,449	91,667

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

8X8, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, unaudited)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Six Months Ended September 30, 2018	Six Months Ended September 30, 2017
Net loss	$ (21,482)	$ (546)	$ (36,837)	$ (2,715)
Other comprehensive income (loss), net of tax				
Unrealized gain on investments in securities	149	198	262	225
Foreign currency translation adjustment	(379)	1,192	(2,051)	2,983
Comprehensive (loss) income	$ (21,712)	$ 844	$ (38,626)	$ 493

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

8X8, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Six Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net loss	$ (36,837)	$ (2,715)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	4,231	3,962
Amortization of intangible assets	2,857	2,815
Amortization of capitalized software	3,749	581
Non-cash lease expenses	2,401	-
Stock-based compensation	19,040	13,008
Deferred income tax benefit	-	(4,862)
Gain on escrow settlement	-	(1,393)
Other	538	761
Changes in assets and liabilities:		
Accounts receivable, net	(3,347)	(1,183)
Deferred sales commission costs	(4,675)	-
Other current and noncurrent assets	(1,452)	(3,485)
Accounts payable and accruals	8,131	3,399
Deferred revenue	814	286
Net cash (used in) provided by operating activities	(4,550)	11,174
Cash flows from investing activities:		
Purchases of property and equipment	(2,878)	(4,021)
Purchase of business	(2,625)	-
Gain on escrow settlement	-	1,393
Capitalized software development costs	(11,386)	(5,203)
Proceeds from maturity of investments	35,455	45,850
Sales of investments	23,604	13,254
Purchase of investments	(42,437)	(57,561)
Net cash used in investing activities	(267)	(6,288)
Cash flows from financing activities:		
Capital lease payments	(525)	(616)
Payment of contingent consideration	-	(150)
Repurchase and tax-related withholding of common stock	(8,183)	(13,842)
Proceeds from issuance of common stock under employee stock plans	6,720	2,788
Net cash used in financing activities	(1,988)	(11,820)
Effect of exchange rate changes on cash	(221)	474
Net decrease in cash and cash equivalents	(7,026)	(6,460)
Cash, cash equivalents and restricted cash at the beginning of period	39,803	41,030
Cash, cash equivalents and restricted cash at the end of period	$ 32,777	$ 34,570
Supplemental cash flow information		
Income taxes paid	$ 250	$ 174
Interest paid	-	16
Property and equipment acquired under capital leases	-	765

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

8X8, Inc.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

A provider of enterprise cloud communications solutions, 8x8, Inc. (8x8 or the Company) helps businesses get their employees, customers and applications more connected and productive worldwide. From one technology platform, the Company offers cloud phone, collaboration, conferencing, contact center, data analytics and other services to business customers on a Software-as-a-Service (SaaS) model. The Company's solutions offer a secure, reliable and simplified approach for businesses to transition their legacy, on-premises communications systems to the cloud. The comprehensive solution, built from owned core cloud technologies, enables 8x8 customers to rely on a single provider for their global communications, contact center and customer support requirements. Combining these services allows customers to eliminate information silos and expose vital, real-time communications data spanning multiple services, applications and devices which, in turn, can improve productivity, business performance and customer experience. The Company's customers are spread across more than 150 countries and range from small businesses to large enterprises with more than 10,000 employees.

BASIS OF PRESENTATION AND CONSOLIDATION

The Company's fiscal year ends on March 31 of each calendar year. Each reference to a fiscal year in these notes to the consolidated financial statements refers to the fiscal year ended March 31 of the calendar year indicated (for example, fiscal 2019 refers to the fiscal year ending March 31, 2019).

The accompanying interim consolidated financial statements are unaudited and have been prepared on substantially the same basis as our annual consolidated financial statements for the fiscal year ended March 31, 2018, with the exception of new revenue recognition guidance discussed in the recently adopted accounting principles section below. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), regarding interim financial reporting.

In the opinion of the Company's management, these interim consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of our financial position, results of operations, and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

The March 31, 2018 year-end consolidated balance sheet data in this document were derived from audited consolidated financial statements and does not include all of the disclosures required by U.S. generally accepted accounting principles. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements as of and for the fiscal year ended March 31, 2018 and notes thereto included in the Company's fiscal 2018 Annual Report on Form 10-K.

The results of operations and cash flows for the interim periods included in these consolidated financial statements are not necessarily indicative of the results to be expected for any future period or the entire fiscal year.

The consolidated financial statements include the accounts of 8x8 and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

ACQUISITION

In April 2018, the Company entered into an asset purchase agreement with MarianaIQ, Inc. The total aggregate purchase price consisted of cash paid at closing and cash deposited into escrow to be held for fifteen months as security against indemnity claims made by the Company after the closing date. See Note 11 for additional information.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including, but not limited to, those related to bad debts, returns reserve for expected cancellations, income and sales tax liabilities, stock-based compensation, and litigation and other contingencies. The Company bases its estimates on historical experience and on various other assumptions. Actual results could differ from those estimates under different assumptions or conditions.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparation of these consolidated financial statements are disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 filed with the SEC on May 30, 2018, and there have been no changes to the Company's significant accounting policies during the three months ended September 30, 2018 except for the accounting policies described below that were updated as a result of adopting Accounting Standards Update (ASU) 2014-9, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-9 or ASC 606). ASU 2014-9 also included Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers,* which sets forth the requirement of deferring incremental costs of obtaining a contract with a customer. All amounts and disclosures set forth herein are in compliance with these standards.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-9, which replaces numerous requirements in U.S. GAAP and provide companies with a single revenue recognition model for recognizing revenue from contracts with customers. ASC 606 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates are required with the revenue recognition process than were required under the previous guidance (ASC 605).

The new standard permits the use of either the full retrospective or modified retrospective transition method. The Company adopted the new standard effective April 1, 2018 using the modified retrospective method. Under the modified retrospective method, the comparative periods' information is not restated and continues to be reported under the accounting standards in effect in those prior periods. Instead, on April 1, 2018, the Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of accumulated deficit and the corresponding balance sheet accounts, which resulted in a net decrease to accumulated deficit of $39.9 million. The impact on the Company's opening balances primarily relates to the capitalization of additional commission costs under ASC 606 in the amount of $38.2 million. Under ASC 605, the Company expensed all commission costs as incurred. Under ASC 606, the Company defers all incremental commission costs to obtain the contract and amortizes these costs over a benefit period of five years. The remaining $1.7 million impact of adopting the standard relates to revenue being recognized earlier under ASC 606 than it would have been under ASC 605, which resulted in a contract asset as of the adoption date.

See Note 2 for additional disclosure on the impact of adopting this standard.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-2, *Leases (Topic 842),* along with amendments issued in 2018, which requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The update also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The update requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. This amendment is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of this pronouncement to its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-7, *Compensation-Stock Compensation (Topic 718)*, which now provides guidance for share-based payments to non-employees, resulting in alignment in accounting for employees and non-employees. The amendment is effective for public companies with fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the impact of this pronouncement to its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*, which makes modifications to disclosure requirements on fair value measurements. The amendment is effective for public companies with fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact of this pronouncement to its consolidated financial statements.

In August 2018, the FASB issued 2018-15, *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40)*, which reduces complexity for the accounting for the accounting for costs of implementing a cloud computing service arrangement. The amendment is effective for public companies with fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact of this pronouncement to its consolidated financial statements.

2. REVENUE RECOGNITION

Revenue Recognition under ASC 606

The Company recognizes service revenue, mainly from subscription services to its cloud-based voice, call center, video and collaboration solutions using the five-step model as prescribed by ASC 606:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as, the Company satisfies a performance obligation.

The Company identifies performance obligations in contracts with customers, which may include subscription services and related usage, product revenue and professional services. The transaction price is determined based on the amount the Company expects to be entitled to in exchange for transferring the promised services or products to the customer. The transaction price in the contract is allocated to each distinct performance obligation in an amount that represents the relative amount of consideration expected to be received in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied. Revenues are recorded based on the transaction price excluding amounts collected on behalf of third parties such as sales and telecommunication taxes, which are collected on behalf of and remitted to governmental authorities. The Company usually bills its customers on a monthly basis. Contracts typically range from annual to multi-year agreements with payment terms of net 30 days or less. The Company occasionally allows a 30-day period to cancel a subscription and return products shipped for a full refund.

Judgments and Estimates

The estimation of variable consideration for each performance obligation requires the Company to make subjective judgments. The Company has service-level agreements with customers warranting defined levels of uptime reliability and performance. Customers may get credits or refunds if the Company fails to meet such levels. If the services do not meet certain criteria, fees are subject to adjustment or refund representing a form of variable consideration. The Company may impose minimum revenue commitments (MRC) on its customers at the inception of the contract. Thus, in estimating variable consideration for each of these performance obligations, the Company assesses both the probability of MRC occurring and the collectability of the MRC, of which both represent a form of variable consideration.

The Company enters into contracts with customers that regularly include promises to transfer multiple services and products, such as subscriptions, products, and professional services. For arrangements with multiple services, the Company evaluates whether the individual services qualify as distinct performance obligations. In its assessment of whether a service is a distinct performance obligation, the Company determines whether the customer can benefit from the service on its own or with other readily available resources, and whether the service is separately identifiable from other services in the contract. This evaluation requires the Company to assess the nature of each individual service offering and how the services are provided in the context of the contract, including whether the services are significantly integrated, highly interrelated, or significantly modify each other, which may require judgment based on the facts and circumstances of the contract.

When agreements involve multiple distinct performance obligations, the Company allocates arrangement consideration to all performance obligations at the inception of an arrangement based on the relative standalone selling prices (SSP) of each performance obligation. Usage fees deemed to be variable consideration meet the allocation exception for variable consideration. Where the Company has standalone sales data for its performance obligations which are indicative of the price at which the Company sells a promised good or service separately to a customer, such data is used to establish SSP. In instances where standalone sales data is not available for a particular performance obligation, the Company estimates SSP by the use of observable market and cost-based inputs. The Company continues to review the factors used to establish list price and will adjust standalone selling price methodologies as necessary on a prospective basis.

Service Revenue

Service revenue from subscriptions to the Company's cloud-based technology platform is recognized over time on a ratable basis over the contractual subscription term beginning on the date that the platform is made available to the customer. Payments received in advance of subscription services being rendered are recorded as a deferred revenue. Usage fees, either bundled or not bundled, are recognized when the Company has a right to invoice. Professional services for configuration, system integration, optimization, customer training and/or education are primarily billed on a fixed-fee basis and are performed by the Company directly or, alternatively, customers may also choose to perform these services themselves or engage their own third-party service providers. Professional services revenue is recognized over time, generally as customer sites go live.

When a contract with a customer is signed, the Company assesses whether collection of the fees under the arrangement is probable. The Company estimates the amount to reserve for uncollectible amounts based on the aging of the contract balance, current and historical customer trends, and communications with its customers. These reserves are recorded as operating expenses against the contract asset (Accounts Receivable). In the normal course of business, the Company records revenue reductions for customer credits.

Product Revenue

The Company recognizes product revenue for telephony equipment at a point in time, when transfer of control has occurred, which is generally upon shipment. Sales returns are recorded as a reduction to revenue estimated based on historical experience.

Contract Assets

Contract assets are recorded for those parts of the contract consideration not yet invoiced but for which the performance obligations are completed. The revenue is recognized when the customer receives services or equipment for a reduced consideration at the onset of an arrangement, for example when the initial month's services or equipment are discounted. Contract assets are included in other current or non-current assets in the consolidated balance sheets, depending on if their reduction is recognized during the succeeding 12-month period or beyond.

Deferred Revenue

Deferred revenues represent billings or payments received in advance of revenue recognition and is recognized upon transfer of control. Balances consist primarily of annual plan subscription services and professional and training services not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding 12-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other non-current liabilities in the consolidated balance sheets.

Costs to Obtain a Customer Contract

Sales commissions and related expenses are considered incremental and recoverable costs of acquiring customer contracts. These costs are capitalized as other current or non-current assets and amortized on a straight-line basis over the anticipated benefit period, which is five years. The benefit period was estimated by taking into consideration the length of customer contracts, technology lifecycle, and other factors. This amortization expense is recorded in sales and marketing expense within the Company's consolidated statement of operations.

Practical Expedients

The new guidance under ASC 340-40, Other Assets and Deferred Costs - Contracts with Customers, sets forth the requirement of deferring incremental costs of obtaining a contract, typically sales commissions, that were expensed as incurred under the previous guidance. The Company applies a practical expedient that permits to apply Subtopic 340-40 to a portfolio of contracts, instead of on a contract-by-contract basis, as they are similar in their characteristics, and the financial statement effects of applying Subtopic 340-40 to that portfolio would not differ materially from applying it to the individual contracts within that portfolio.

Impact of Adopting ASC 606

The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to retained earnings in the consolidated balance sheet as of April 1, 2018 (in thousands).

	Adjustments

	Balance at March 31, 2018	Due to ASC 606	Balance at April 1, 2018
Current assets:			
Deferred sales commission costs	$ -	$ 11,234	$ 11,234
Other current assets	$ 10,040	$ 1,725	$ 11,765
Non-current assets:			
Deferred sales commission costs	$ -	$ 26,942	$ 26,942
Stockholders' Equity			
Accumulated deficit	$ (201,464)	$ 39,901	$ (161,563)

The following tables summarize the impact of the ASC 606 adoption on the Company's consolidated financial statements for the quarter ended September 30, 2018.

Selected Consolidated Balance Sheet Line Items (in thousands):

	September 30, 2018		
	ASC 605	Adjustments	(As Reported) ASC 606
Current assets:			
Deferred sales commission costs	$ -	$ 13,656	$ 13,656
Other current assets	$ 12,107	$ 1,782	$ 13,889
Non-current assets:			
Deferred sales commission costs	$ -	$ 29,229	$ 29,229
Stockholders' Equity			
Accumulated deficit	$ (243,067)	$ 44,667	$ (198,400)

Selected Consolidated Statement of Operations Line Items (in thousands, except per share amounts):

	Three Months Ended September 30, 2018			Six Months Ended September 30, 2018		
	ASC 605	Adjustments	(As Reported) ASC 606	ASC 605	Adjustments	(As Reported) ASC 606
Service revenue	$ 81,543	$ (197)	$ 81,346	$ 159,785	$ (318)	$ 159,467
Product revenue	4,176	160	4,336	9,187	253	9,440
Total revenue	$ 85,719	$ (37)	$ 85,682	$ 168,972	$ (65)	$ 168,907
Operating expenses:						
Sales and marketing	$ 58,806	$ (2,876)	$ 55,930	$ 113,910	$ (4,675)	$ 109,235
Loss from operations	$ (24,826)	$ 2,839	$ (21,987)	$ (42,580)	$ 4,610	$ (37,970)
Net loss	$ (24,321)	$ 2,839	$ (21,482)	$ (41,447)	$ 4,610	$ (36,837)
Net loss per share:						
Basic and diluted	$ (0.26)	$ 0.03	$ (0.23)	$ (0.44)	$ 0.05	$ (0.39)

Selected Consolidated Statements of Cash Flows Line Items (in thousands):

	September 30, 2018		
	ASC 605	Adjustments	(As Reported) ASC 606
Net loss	$ (41,447)	$ 4,610	$ (36,837)
Deferred sales commission costs	$ -	$ (4,675)	$ (4,675)
Other current and noncurrent assets	$ (1,517)	$ 65	$ (1,452)
Net cash provided by operating activities	$ (4,550)	$ -	$ (4,550)

Disaggregation of Revenue

The Company disaggregates its revenue by geographic region. See Note 10 for more information.

Contract Balances

The following table provides information about receivables, contract assets and deferred revenues from contracts with customers (in thousands):

	September 30, 2018
Accounts receivable, net	$ 18,870
Other current assets	$ 1,782
Deferred revenue - current	$ 3,354
Deferred revenue - noncurrent	$ 11

Changes in the contract assets and the deferred revenue balances during the six months ended September 30, 2018 are as follows (in thousands):

	April 1, 2018	September 30, 2018	$ Change
Other current assets	$ 1,725	$ 1,782	$ 57
Deferred revenue	$ 2,578	$ 3,364	$ 786

The change in contract assets was primarily driven by the recognition of revenue that has not yet been billed. The increase in deferred revenues was due to billings in advance of performance obligations being satisfied. During the three and six months ended September 30, 2018, $1.8 million and $3.2 million, respectively, of revenue recognized was included in the deferred revenues balance at the beginning of the period, which was offset by additional deferrals during the period.

Remaining Performance Obligations

The Company's subscription terms typically range from one to four years. Contract revenue as of September 30, 2018, that has not yet been recognized was approximately $140 million. This excludes contracts with an original expected length of one year or less. The Company expects to recognize revenue on the vast majority of the remaining performance obligation over the next 24 months.

3. FAIR VALUE MEASUREMENTS

Cash, cash equivalents, and available-for-sale investments (in thousands):

As of September 30, 2018	Amortized Costs	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Cash	$ 16,585	$ -	$ -	$ 16,585	$ 16,585	$ -
Level 1:						
Money market funds	8,092	-	-	8,092	8,092	-
Subtotal	24,677	-	-	24,677	24,677	-
Level 2:						
Commercial paper	3,178	-	-	3,178	-	3,178
Corporate debt	69,575	19	(132)	69,462	-	69,462
Municipal securities	5,501	3	-	5,504	-	5,504
Asset backed securities	21,960	6	(59)	21,907	-	21,907
Agency bond	4,221	-	(40)	4,181	-	4,181
Subtotal	104,435	28	(231)	104,232	-	104,232
Total assets	$ 129,112	$ 28	$ (231)	$ 128,909	$ 24,677	$ 104,232

As of March 31, 2018	Amortized Costs	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Cash	$ 16,499	$ -	$ -	$ 16,499	$ 16,499	$ -
Level 1:						
Money market funds	15,204	-	-	15,204	15,204	-
Subtotal	31,703	-	-	31,703	31,703	-
Level 2:						
Commercial paper	13,254	-	(8)	13,246	-	13,246
Corporate debt	70,631	6	(296)	70,341	-	70,341
Municipal securities	3,385	3	(1)	3,387	-	3,387
Asset backed securities	27,063	1	(119)	26,945	-	26,945
Agency bond	4,183	-	(35)	4,148	-	4,148
International government securities	2,497	-	(5)	2,492	-	2,492
Subtotal	121,013	10	(464)	120,559	-	120,559
Total assets	$ 152,716	$ 10	$ (464)	$ 152,262	$ 31,703	$ 120,559

Contractual maturities of investments as of September 30, 2018 are set forth below (in thousands):

	Estimated Fair Value
Due within one year	$ 49,792
Due after one year	54,440
Total	$ 104,232

4. INTANGIBLE ASSETS

The carrying value of intangible assets consisted of the following (in thousands):

	September 30, 2018			March 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated	Net Carrying