

VERISIGN INC/CA  
Form 10-Q  
April 23, 2015

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 March 31, 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: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-3221585

(State or other jurisdiction of  
incorporation or organization)

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

12061 Bluemont Way, Reston, Virginia

20190

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (703) 948-3200

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  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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class

Shares Outstanding April 17, 2015

Common stock, \$.001 par value

116,434,450



TABLE OF CONTENTS

	Page
<u>PART I—FINANCIAL INFORMATION</u>	
<u>Item 1.</u> <u>Financial Statements</u>	<u>3</u>
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>4</u>
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>22</u>
<u>Item 4.</u> <u>Controls and Procedures</u>	<u>22</u>
<u>PART II—OTHER INFORMATION</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	<u>23</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>23</u>
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>43</u>
<u>Item 6.</u> <u>Exhibits</u>	<u>44</u>
<u>Signatures</u>	<u>45</u>

Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

As required under Item 1—Financial Statements included in this section are as follows:

Financial Statement Description	Page
<u>Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2015 and 2014</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2015 and 2014</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>

Table of Contents

VERISIGN, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands, except par value)  
 (Unaudited)

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$705,879	\$191,608
Marketable securities	1,165,443	1,233,076
Accounts receivable, net	14,656	13,448
Other current assets	54,006	52,475
Total current assets	1,939,984	1,490,607
Property and equipment, net	311,870	319,028
Goodwill	52,527	52,527
Long-term deferred tax assets	266,508	266,954
Other long-term assets	36,821	25,743
Total long-term assets	667,726	664,252
Total assets	\$2,607,710	\$2,154,859
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$150,482	\$190,278
Deferred revenues	648,439	621,307
Subordinated convertible debentures, including contingent interest derivative	635,453	631,190
Deferred tax liabilities	487,817	477,781
Total current liabilities	1,922,191	1,920,556
Long-term deferred revenues	276,497	269,047
Senior notes	1,250,000	750,000
Other long-term tax liabilities	106,899	98,722
Total long-term liabilities	1,633,396	1,117,769
Total liabilities	3,555,587	3,038,325
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value \$.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none	—	—
Common stock—par value \$.001 per share; Authorized shares: 1,000,000; Issued shares: 322,707 at March 31, 2015 and 321,699 at December 31, 2014; Outstanding shares: 116,429 at March 31, 2015 and 118,452 at December 31, 2014	323	322
Additional paid-in capital	17,967,312	18,120,045
Accumulated deficit	(18,912,597)	(19,000,835)
Accumulated other comprehensive loss	(2,915)	(2,998)
Total stockholders' deficit	(947,877)	(883,466)
Total liabilities and stockholders' deficit	\$2,607,710	\$2,154,859

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

VERISIGN, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Revenues	\$258,422	\$248,796
Costs and expenses:		
Cost of revenues	48,353	48,026
Sales and marketing	22,382	20,289
Research and development	17,152	18,439
General and administrative	26,298	22,457
Total costs and expenses	114,185	109,211
Operating income	144,237	139,585
Interest expense	(22,017 )	(21,385 )
Non-operating (loss) income, net	(5,555 )	6,516 )
Income before income taxes	116,665	124,716
Income tax expense	(28,427 )	(30,293 )
Net income	88,238	94,423
Unrealized gain on investments	87	8
Realized (gain) loss on investments, included in net income	(4 )	5 )
Other comprehensive income	83	13
Comprehensive income	\$88,321	\$94,436
Income per share:		
Basic	\$0.75	\$0.71
Diluted	\$0.66	\$0.64
Shares used to compute net income per share		
Basic	117,139	133,417
Diluted	133,850	148,600
See accompanying Notes to Condensed Consolidated Financial Statements.		

Table of Contents

VERISIGN, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$88,238	\$94,423
Adjustments to reconcile n		