

MAGICJACK VOCALTEC LTD  
Form 10-Q  
August 10, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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 transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-27648

MAGICJACK VOCALTEC LTD.  
(Exact name or Registrant as specified in its charter)

STATE OF ISRAEL  
(State or Other Jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

12 BENNY GAON STREET, BUILDING 2B  
POLEG INDUSTRIAL AREA, NETANYA, ISRAEL 42504  
(Address of principal executive offices, including zip code)

(561) 749-2255  
(Registrant's telephone number, including area code)

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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 Website, if any,

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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

There were 16,701,001 ordinary shares with no par value outstanding at July 31, 2015.

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## DEFINITIONS

In this quarterly report on Form 10-Q, unless the context otherwise requires:

- references to “magicJack VocalTec,” the “Company,” “we,” “us” or “our” are to magicJack VocalTec Ltd., a company organized under the laws of the State of Israel (the “Registrant”), and its subsidiaries;
- references to “ordinary shares”, “our shares” and similar expressions refer to the Registrant’s Ordinary Shares, no par value;
- references to “\$” or “dollars” are to U.S. dollars and all references to “NIS” are to New Israeli Shekels. Except as otherwise indicated, financial statements of, and information regarding, magicJack VocalTec are presented in U.S. dollars; and
- references to the “magicJack devices” are to the original magicJack®, the magicJack PLUSTM, the New magicJack PLUSTM, the magicJackGO and the magicJackEXPRESSTM.

## PART I – FINANCIAL INFORMATION

## ITEM 1. Financial Statements

MAGICJACK VOCALTEC LTD. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
(Unaudited)		
<b>Current assets:</b>		
Cash and cash equivalents	\$82,327	\$75,945
Investments, at fair value	367	367
Accounts receivable, net of allowance for doubtful accounts and billing adjustments of \$528 and \$1,171, respectively	2,271	3,903
Inventories	6,771	5,635
Deferred costs	2,166	2,765
Prepaid income taxes	581	12,513
Deferred tax assets, current	13,341	13,341
Deposits and other current assets	1,550	1,170
<b>Total current assets</b>	<b>109,374</b>	<b>115,639</b>
Property and equipment, net	3,704	3,564
Intangible assets, net	7,846	9,473
Goodwill	32,304	32,304
Deferred tax assets, non-current	29,511	32,510
Deposits and other non-current assets	756	743
<b>Total assets</b>	<b>\$183,495</b>	<b>\$194,233</b>
<b>LIABILITIES AND CAPITAL EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$1,272	\$2,879
Income tax payable	2,504	9,197
Accrued expenses and other current liabilities	5,007	8,406
Deferred revenue, current portion	56,033	56,445
<b>Total current liabilities</b>	<b>64,816</b>	<b>76,927</b>
Deferred revenue, net of current portion	52,599	54,782
Other non-current liabilities	11,279	13,438
<b>Total liabilities</b>	<b>128,694</b>	<b>145,147</b>
Commitments and contingencies (Note 9)		
<b>Capital equity</b>		
Ordinary shares, No par value; 100,000 shares authorized; 25,032 shares issued at June 30, 2015 and December 31, 2014, respectively	111,771	111,771
Additional paid-in capital	12,663	10,414
Treasury stock (7,786 and 7,164 shares at June 30, 2015 and December 31, 2014, respectively)	(112,477 )	(107,683 )

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Retained earnings	42,844	34,584
Total capital equity	54,801	49,086
Total liabilities and capital equity	\$ 183,495	\$ 194,233

See accompanying notes to condensed consolidated financial statements.

MAGICJACK VOCALTEC LTD. AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share information)

	For the Three Months		For the Six Months Ended	
	Ended June 30,		June 30,	
	2015	2014	2015	2014
Net revenues	\$25,410	\$29,480	\$50,922	\$64,793
Cost of revenues	8,669	11,392	18,136	24,414
Gross profit	16,741	18,088	32,786	40,379