

VONAGE HOLDINGS CORP
Form 10-Q
November 08, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2006

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 001-32887

VONAGE HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11-3547680

(IRS Employer Identification No.)

23 Main Street, Holmdel, NJ

(Address of principal executive offices)

07733

(Zip Code)

Registrant's telephone number, including area code: **(732) 528-2600**

(Former name, former address and former fiscal year, if changed since last report): **Not Applicable**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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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	Outstanding at October 31, 2006
Common Stock, par value \$0.001	154,922,633 shares

VONAGE HOLDINGS CORP.

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Part I Financial Information

Item 1. Financial Statements

VONAGE HOLDINGS CORP.

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

	Sep 30, 2006 (unaudited)	Dec 31, 2005
Assets		
Assets		
Current assets:		
Cash and cash equivalents	\$ 154,016	\$ 132,549
Marketable securities	390,314	133,830
Accounts receivable, net of allowance of \$401 and \$210, respectively	14,589	7,435
Inventory, net of allowance of \$1,036 and \$732, respectively	17,662	15,687
Deferred customer acquisition costs, current	11,053	6,125
Prepaid expenses and other current assets	22,386	8,228
Total current assets	610,020	303,854
Property and equipment, net of accumulated depreciation	123,523	103,638
Deferred customer acquisition costs, non-current	31,938	19,899
Deferred financing costs, net	8,357	9,577
Restricted cash	9,355	7,453
Due from related parties	63	75
Intangible assets, net	5,035	
Other assets	620	2,386
Total assets	\$ 788,911	\$ 446,882
Liabilities and Stockholders Equity (Deficit)		
Liabilities		
Current liabilities:		
Accounts payable	\$ 57,329	\$ 16,467
Accrued expenses	90,858	98,035
Deferred revenue, current portion	34,601	20,449
Current maturities of capital lease obligations	988	773
Total current liabilities	183,776	135,724
Convertible notes, net	253,420	247,958
Deferred revenue, net of current portion	35,230	21,600
Capital lease obligations, net of current maturities	23,501	21,658
Total liabilities	495,927	426,940
Commitments and Contingencies		
Redeemable Preferred Stock		
Series A Redeemable Convertible Preferred stock, par value \$0.001 per share; authorized 8,000 shares, 8,000 shares issued and outstanding (liquidation preference \$16,000)		15,968
Series A-2 Redeemable Convertible Preferred Stock, par value \$0.001 per share; authorized 6,067 shares, 5,167 shares issued and outstanding (liquidation preference \$20,667)		20,292
Series A-2 Redeemable Convertible Preferred Stock Warrant to purchase 900 shares		1,557
Series B Redeemable Convertible Preferred Stock, par value \$0.001 per share; authorized 3,750 shares, 3,750 shares issued and outstanding (liquidation preference \$16,200)		14,489
Series C Redeemable Convertible Preferred Stock, par value \$0.001 per share; authorized 8,000 shares, 8,000 shares issued and outstanding (liquidation preference \$43,200)		38,090

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Series D Redeemable Convertible Preferred Stock, par value \$0.001per share; authorized 8,729 shares, 8,729 shares issued and outstanding (liquidation preference \$113,389)	102,722
Series E Redeemable Convertible Preferred Stock, par value \$0.001per share; authorized 9,435 shares, 9,429 shares issued and outstanding (liquidation preference \$215,924)	195,736
Stock subscription receivable	(427)
Total redeemable preferred stock	388,427