

Mimecast Ltd  
Form 10-Q  
August 09, 2018

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, 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: 001-37637

MIMECAST LIMITED

(Exact Name of Registrant as Specified in its Charter)

Bailiwick of Jersey  
(State or other jurisdiction of

incorporation or organization)

CityPoint, One Ropemaker Street, Moorgate EC2Y 9AW

Not applicable

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

EC2Y 9AW

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London EC2Y 9AW

United Kingdom

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (781) 996-5340

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, 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

Non-accelerated filer (Do not check if a small reporting company)

Accelerated filer

Small 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

As of July 31, 2018, the registrant had 59,709,848 shares of common stock, \$0.012 par value per share, outstanding.

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

## MIMECAST LIMITED

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

(unaudited)

	As of June 30, 2018	As of March 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$107,530	\$78,339
Short-term investments	41,958	58,871
Accounts receivable, net	56,677	65,392
Deferred contract costs, net	5,530	—
Prepaid expenses and other current assets	13,300	15,302
<b>Total current assets</b>	<b>224,995</b>	<b>217,904</b>
Property and equipment, net	124,117	123,822
Intangible assets, net	8,557	9,819
Goodwill	5,602	5,631
Deferred contract costs, net of current portion	19,817	—
Other assets	1,463	1,222
<b>Total assets</b>	<b>\$384,551</b>	<b>\$358,398</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$4,530	\$6,052
Accrued expenses and other current liabilities	33,145	33,878
Deferred revenue	120,612	123,057
Current portion of capital lease obligations	1,154	1,125
<b>Total current liabilities</b>	<b>159,441</b>	<b>164,112</b>
Deferred revenue, net of current portion	12,002	18,045
Long-term capital lease obligations	2,142	2,390
Construction financing lease obligation	69,613	67,205
Other non-current liabilities	4,300	4,954
<b>Total liabilities</b>	<b>247,498</b>	<b>256,706</b>
<b>Commitments and contingencies (Note 13)</b>		

Shareholders' equity

Ordinary shares, \$0.012 par value, 300,000,000 shares authorized;

59,599,656 and 58,949,644 shares issued and outstanding as of

June 30, 2018 and March 31, 2018, respectively	715	707
Additional paid-in capital	223,891	212,839
Accumulated deficit	(80,102 )	(106,507 )
Accumulated other comprehensive loss	(7,451 )	(5,347 )
Total shareholders' equity	137,053	101,692
Total liabilities and shareholders' equity	\$384,551	\$358,398

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

## MIMECAST LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three months ended June 30,	
	2018	2017
Revenue	\$78,404	\$58,158
Cost of revenue	20,976	15,252
Gross profit	57,428	42,906
Operating expenses		
Research and development	13,100	7,921
Sales and marketing	34,203	27,559
General and administrative	12,214	8,537
Total operating expenses	59,517	44,017
Loss from operations	(2,089 )	(1,111 )
Other income (expense)		
Interest income	444	239
Interest expense	(527 )	(31 )
Foreign exchange expense and other, net	(441 )	(540 )
Total other income (expense), net	(524 )	(332 )
Loss before income taxes	(2,613 )	(1,443 )
Provision for income taxes	858	457
Net loss	\$(3,471 )	\$(1,900 )
Net loss per ordinary share		
Basic and diluted	\$(0.06 )	\$(0.03 )
Weighted-average number of ordinary shares outstanding:		
Basic and diluted	59,175	56,292

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

## MIMECAST LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(unaudited)

	Three months ended June 30,	
	2018	2017
Net loss	\$(3,471)	\$(1,900)
Other comprehensive (loss) income:		
Net unrealized gains (losses) on investments, net of tax	64	(66)
Change in foreign currency translation adjustment	(2,168)	232
Reclassification of cumulative translation adjustment to net loss upon liquidation of subsidiaries, net of tax	—	188
Total other comprehensive (loss) income	(2,104)	354
Comprehensive loss	\$(5,575)	\$(1,546)

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

## MIMECAST LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three months ended June 30,	
	2018	2017
Operating activities		
Net loss	\$(3,471 )	\$(1,900 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,926	3,609
Share-based compensation expense	5,181	2,646
Amortization of deferred contract costs	1,386	—
Other non-cash items	(19 )	84
Unrealized currency (gain) loss on foreign denominated transactions	(111 )	383
Changes in assets and liabilities:		
Accounts receivable	6,079	4,429
Prepaid expenses and other current assets	1,569	436
Deferred contract costs	(3,835 )	—
Other assets	(98 )	(6 )
Accounts payable	108	1,276
Deferred revenue	2,521	2,244
Accrued expenses and other liabilities	398	(1,563 )
Net cash provided by operating activities	16,634	11,638
Investing activities		
Purchases of investments	—	(15,531 )
Maturities of investments	17,000	15,500
Purchases of property, equipment and capitalized software	(7,575 )	(7,730 )
Net cash provided by (used in) investing activities	9,425	(7,761 )
Financing activities		