

INFOBLOX INC
Form 10-Q
December 04, 2012

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 October 31, 2012

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: 001-35507

INFOBLOX INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-0062867

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

4750 Patrick Henry Drive

Santa Clara, California 95054

(Address of principal executive offices)

(408) 625-4200

(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 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.

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

Shares outstanding of the registrant's common stock:

Class

Common Stock, \$0.0001 par value per share

Outstanding at November 26, 2012

47,274,166

INFOBLOX INC.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

INFOBLOX INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	October 31, 2012 (Unaudited)	July 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$80,067	\$156,613
Short-term investments	88,090	—
Accounts receivable, net	25,912	26,819
Inventory	2,845	2,560
Deferred tax assets	1,577	1,577
Prepaid expenses and other current assets	4,285	4,159
Total current assets	202,776	191,728
Property and equipment, net	8,307	6,498
Restricted cash	3,501	3,803
Intangible assets, net	7,237	7,817
Goodwill	32,726	32,726
Other assets	368	411
TOTAL ASSETS	\$254,915	\$242,983
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$12,942	\$11,607
Accrued compensation	12,713	10,295
Deferred revenue, net	56,783	56,184
Total current liabilities	82,438	78,086
Deferred revenue, net	21,465	20,483
Deferred tax liability	1,494	1,494
Other liabilities	1,350	845
TOTAL LIABILITIES	106,747	100,908
Commitments and contingencies (Note 5)		
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, \$0.0001 par value per share—5,000,000 shares authorized as of October 31, 2012 and July 31, 2012; no shares issued or outstanding as of October 31, 2012 and July 31, 2012	—	—
Common stock, \$0.0001 par value per share—100,000,000 shares authorized; 47,023,622 shares and 45,737,770 shares issued and outstanding as of October 31, 2012 and July 31, 2012	5	5
Additional paid-in capital	258,749	250,206
Accumulated other comprehensive loss	(60) —
Accumulated deficit	(110,526) (108,136
TOTAL STOCKHOLDERS' EQUITY	148,168	142,075
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$254,915	\$242,983

See accompanying Notes to Condensed Consolidated Financial Statements.

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INFOBLOX INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share data)
 (Unaudited)

	Three Months Ended October 31,		
	2012	2011	
Net revenue:			
Products and licenses	\$27,098	\$22,691	
Services	22,407	16,664	
Total net revenue	49,505	39,355	
Cost of revenue:			
Products and licenses	5,840	4,694	
Services	4,249	3,571	
Total cost of revenue	10,089	8,265	
Gross profit	39,416	31,090	
Operating expenses:			
Research and development	10,214	8,906	
Sales and marketing	25,631	19,673	
General and administrative	5,658	3,677	
Total operating expenses	41,503	32,256	
Loss from operations	(2,087) (1,166)
Other expense, net	(106) (168)
Loss before provision for income taxes	(2,193) (1,334)
Provision for income taxes	197	435	
Net loss	\$(2,390) \$(1,769)
Net loss per share - basic and diluted	\$(0.05) \$(0.16)
Weighted-average shares used in computing net loss per share - basic and diluted	45,990	11,037	
See accompanying Notes to Condensed Consolidated Financial Statements.			

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INFOBLOX INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
 (In thousands)
 (Unaudited)

	Three Months Ended October 31,	
	2012	2011
Net loss	\$ (2,390) \$ (1,769
Other comprehensive loss		
Unrealized holding losses on short-term investments arising during the period, net of tax and reclassification adjustments for amounts included in net loss	(60) —
Comprehensive loss	\$ (2,450) \$ (1,769

See accompanying Notes to Condensed Consolidated Financial Statements.

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INFOBLOX INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended October 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,390)) \$ (1,769)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation	4,922	1,692
Depreciation and amortization	1,438	1,564
Excess tax benefits from employee stock plans	(154)) —
Amortization of investment premium	27	—
Changes in operating assets and liabilities:		
Accounts receivable, net	907	(1,225)
Inventory	(285)) (242)
Prepaid expenses, other current assets and other assets	(134)) (462)
Accounts payable and accrued liabilities	44	97
Accrued compensation	2,418	(483)
Deferred revenue, net	1,581	3,196
Other liabilities	505	(218)
Net cash provided by operating activities	8,879	2,150
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(88,177)) —
Purchases of property and equipment	(923)) (1,173)
Decrease in restricted cash	532	—
Net cash used in investing activities	(88,568)) (1,173)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock under the employee stock plans	3,224	342
Payment of remaining unpaid initial public offering costs	(235)) —
Excess tax benefits from employee stock plans	154	—
Net cash provided by financing activities	3,143	342
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(76,546)) 1,319
CASH AND CASH EQUIVALENTS—Beginning of period	156,613	42,207
CASH AND CASH EQUIVALENTS—End of period	\$80,067	\$43,526
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Purchases of property and equipment not yet paid	\$2,031	\$—
Cash paid for income taxes, net	\$256	\$557
Change in liability due to vesting of early exercised stock options, net	\$58	\$45
See accompanying Notes to Condensed Consolidated Financial Statements.		

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INFOBLOX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Infoblox Inc. (together with our subsidiaries, “we,” “us” or “our”) was originally incorporated in the State of Illinois in February 1999 and was reincorporated in the State of Delaware in May 2003. We are headquartered in Santa Clara, California and have subsidiaries and representative offices located throughout the world. We provide a broad family of enterprise and service provider-class solutions to automate management of the critical network infrastructure services needed for secure, scalable and fault-tolerant connections between applications, devices and users.

Initial Public Offering

On April 25, 2012, we completed our initial public offering of our common stock whereby 6,869,343 shares of common stock were sold by us (inclusive of 1,125,000 shares of common stock from the full exercise of the overallotment option of shares granted to the underwriters) and 1,755,657 shares of common stock were sold by selling stockholders. The public offering price of the shares sold in the offering was \$16.00 per share. The aggregate offering price for shares sold by us in the offering was approximately \$109.9 million. The net proceeds from the offering were \$98.2 million after deducting underwriting discounts of approximately \$7.7 million and commissions and offering expenses of approximately \$4.0 million. We did not receive any proceeds from the sales of shares by the selling stockholders.

Secondary Offering

On October 11, 2012, we closed a secondary offering, in which certain stockholders of our company offered 5,000,000 shares of common stock at a price to the public of \$20.00 per share. The aggregate offering price for shares sold in the offering was \$96.0 million, net of underwriting discounts and commissions. The underwriters did not exercise their option to purchase 750,000 additional shares of common stock from our selling stockholders. We did not receive any proceeds from the sale of shares in this offering. In connection with this offering, we incurred approximately \$0.8 million expenses, which were included in general and administrative expenses in the condensed consolidated statement of operations for the three months ended October 31, 2012.

Basis of Presentation

The condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated. The accompanying condensed consolidated balance sheet as of October 31, 2012, the condensed consolidated statements of operations, the condensed consolidated statements of comprehensive loss and the condensed consolidated statements of cash flows for the three months ended October 31, 2012 and 2011 are unaudited. The condensed consolidated balance sheet as of July 31, 2012 is derived from the audited consolidated financial statements for the year ended July 31, 2012. These unaudited condensed consolidated financial statements and accompanying notes should be read together with the audited consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2012.

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, pursuant to the rules and regulations of the SEC. They do not include all of the financial information and footnotes required by GAAP for complete financial statements. We believe the unaudited condensed consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments necessary for the fair presentation of our balance sheet as of October 31, 2012, our results of operations, our comprehensive loss and cash flows for the three months ended October 31, 2012 and 2011. All adjustments are of a normal recurring nature. The results for the three months ended October 31, 2012 are

not necessarily indicative of the results to be expected for any subsequent quarter or for the year ending July 31, 2013.

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INFOBLOX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Significant Accounting Policies

We describe our significant accounting policies in Note 1 to the consolidated financial statements in Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2012. Except for the fair value and cash, cash equivalents and short-term investments policies described below, there have been no other significant changes in our accounting policies during the three months ended October 31, 2012, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the year ended July 31, 2012.

Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

All highly liquid investments purchased with an original maturity of three months or less are classified as cash and cash equivalents. Cash and cash equivalents consist of cash on hand, demand deposits with banks, highly liquid investments in money market funds, U.S. Treasury securities and certificates of deposit which are readily convertible into cash.

Short-term Investments

Investments with original maturities at purchase of greater than three months are classified as short-term or long-term investments. Management determines the appropriate classification of securities at the time of purchase and re-evaluates such classification as of each balance sheet date.

Our investments in publicly-traded debt securities are classified as available-for-sale. Available-for-sale investments are initially recorded at cost and periodically adjusted to fair value in the condensed consolidated balance sheets. Unrealized gains and losses on these investments are reported as a separate component of accumulated other comprehensive income (loss). Realized gains and losses are determined based on the specific identification method and are reported in the condensed consolidated statements of operations.

We recognize an impairment charge for available-for-sale investments when a decline in the fair value of our investments below the cost basis is determined to be other than temporary. We consider various factors in determining whether to recognize an impairment charge, including the length of time the investment has been in a loss position, the extent to which the fair value has been less than the cost basis, the investment's financial condition and near-term prospects, and our intent to sell, or whether it is more likely than not we will be required to sell, the investment before recovery of the investment's amortized cost basis. If we determine that the decline in an investment's fair value is other than temporary, the difference is recognized as an impairment loss in our condensed consolidated statements of operations. During the three months ended October 31, 2012, we did not consider any of our investments to be other-than-temporarily impaired.

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INFOBLOX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Fair Value

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we transact, and consider assumptions that market participants would use when pricing the asset or liability. We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level I - Quoted prices in active markets for identical assets or liabilities.

Level II - Quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. These inputs are valued using market based approaches.

Level III - Inputs are unobservable inputs based on management assumptions. These inputs, if any, are valued using internal financial models.

Use of Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Those management estimates and assumptions affect revenue recognition, allowances for doubtful accounts and sales returns, valuation of inventory, determination of fair value of stock-based awards, valuation of goodwill and intangible assets acquired, impairment of goodwill and other intangible assets, amortization of intangible assets, contingencies and litigation and accounting for income taxes, including the valuation reserve on deferred tax assets and uncertain tax positions.. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors and adjust those estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates and assumptions, and those differences could be material to the condensed consolidated financial statements.

Concentrations of Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash, cash equivalents, short-term investments, restricted cash and accounts receivable. Our cash, cash equivalents, short-term investments and restricted cash are invested in high-credit quality financial instruments with banks and financial institutions. Such deposits may be in excess of insured limits provided on such deposits.

We mitigate credit risk in respect to accounts receivable by performing ongoing credit evaluations of our customers and maintaining a reserve for potential credit losses. In addition, we generally require our customers to prepay for maintenance and support services to mitigate the risk of uncollectible accounts receivable.

Significant customers are those which represent more than 10% of our total net revenue or gross accounts receivable balance at each respective balance sheet date. For the three months ended October 31, 2012 and 2011, we did not have any customers that represented more than 10% of our total net revenue. As of October 31, 2012 and July 31, 2012, no customer accounted for more than 10% of our total gross accounts receivable.

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INFOBLOX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Recently Issued Accounting Pronouncements

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income (“ASU 2011-05”), which requires an entity to present total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements and eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity. In addition, in December 2011, the FASB issued ASU No. 2011-12, Topic 220 - Comprehensive Income (“ASU 2011-12”), which defers the requirement to present components of reclassifications of other comprehensive income on the face of the statement of income. We adopted both standards during the first quarter of fiscal 2013 and the adoption did not have any impact on our financial position or results of operations. We now present comprehensive loss in a separate statement following the condensed consolidated statements of operations.

In August 2011, the FASB issued Accounting Standards Update No. 2011-08, Testing Goodwill for Impairment (“ASU 2011-08”) to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2011-08 is effective for us in fiscal 2013. We adopted this standard during the first quarter of fiscal 2013 and the adoption did not have a material impact on our condensed consolidated financial statements.

NOTE 2. NET INCOME (LOSS) PER SHARE

We compute basic net income (loss) per share using the weighted average number of common shares outstanding during the period. We compute diluted net income per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares include shares issuable upon the exercise of stock options or warrants, upon the conversion of convertible preferred stock and upon the vesting of restricted stock units, or RSUs, under the treasury stock method.

In loss periods, basic net loss per share and diluted net loss per share are the same since the effect of potential common shares is anti-dilutive and therefore excluded.

The following outstanding weighted-average shares of common stock equivalents were excluded from the computation of diluted net loss per share for the periods presented because including them would have been antidilutive:

	Three Months Ended October 31,	
	2012	2011
	(In thousands)	
Stock options to purchase common stock	7,357	6,436
Common stock warrants and restricted stock units	61	336
Convertible preferred stock	—	26,841
Convertible preferred stock warrants	—	57

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INFOBLOX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3. CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Cash Equivalents and Short-term Investments

The following table summarizes our cash equivalents and short-term investments as of October 31, 2012:

	Amortized Cost	Unrealized Losses	Estimated Fair Value
Cash equivalents:	(In thousands)		