

AKAMAI TECHNOLOGIES INC
Form 10-Q
August 09, 2010
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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 June 30, 2010

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 0-27275

Akamai Technologies, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of

04-3432319
(I.R.S. Employer

incorporation or organization)

8 Cambridge Center

Identification Number)

Cambridge, MA 02142

(617) 444-3000

(Address, Including Zip Code, and Telephone Number,

Including Area Code, of Registrant's Principal Executive Offices)

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 (the Exchange Act) 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

The number of shares outstanding of the registrant's common stock as of August 4, 2010: 181,605,446 shares.

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AKAMAI TECHNOLOGIES, INC.

FORM 10-Q

For the quarterly period ended June 30, 2010

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AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2010	December 31, 2009
(In thousands,		
except share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,506	\$ 181,305
Marketable securities (including restricted securities of \$602 at June 30, 2010 and December 31, 2009)	383,682	385,436
Accounts receivable, net of reserves of \$10,900 and \$10,579 at June 30, 2010 and December 31, 2009, respectively	164,574	154,269
Prepaid expenses and other current assets	73,460	31,649
Deferred income tax assets	35,945	8,514
Total current assets	778,167	761,173
Property and equipment, net	227,888	182,404
Marketable securities (including restricted securities of \$27 at June 30, 2010 and \$36 at December 31, 2009)	608,087	494,743
Goodwill	452,950	441,347
Other intangible assets, net	70,853	76,273
Deferred income tax assets	53,431	127,154
Other assets	11,622	4,416
Total assets	\$ 2,202,998	\$ 2,087,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 33,529	\$ 23,997
Accrued expenses and other current liabilities	70,165	68,566
Deferred revenue	31,696	34,184
Accrued restructuring	882	791
1% convertible senior notes	63,562	199,755
Total current liabilities	199,834	327,293
Other liabilities	27,088	18,818
Deferred revenue	2,988	2,677
Total liabilities	229,910	348,788
Commitments, contingencies and guarantees (Note 15)		
Stockholders' equity:		

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Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 700,000 shares designated as Series A Junior Participating Preferred Stock; no shares issued or outstanding		
Common stock, \$0.01 par value; 700,000,000 shares authorized; 186,326,126 shares issued and 181,627,935 shares outstanding at June 30, 2010 and 174,575,502 shares issued and 171,248,356 outstanding at December 31, 2009	1,863	1,746
Additional paid-in capital	4,815,780	4,615,774
Accumulated other comprehensive income (loss)	(13,118)	(10,682)
Treasury stock, at cost, 4,698,191 shares at June 30, 2010 and 3,327,146 shares at December 31, 2009	(108,623)	(66,301)
Accumulated deficit	(2,722,814)	(2,801,815)
Total stockholders' equity	1,973,088	1,738,722
Total liabilities and stockholders' equity	\$ 2,202,998	\$ 2,087,510

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

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AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
(In thousands, except per share amounts)				
Revenues	\$ 245,318	\$ 204,600	\$ 485,347	\$ 414,968
Costs and operating expenses:				
Cost of revenues	71,840	60,009	139,314	120,371
Research and development	13,577	9,378	26,756	20,234
Sales and marketing	55,203	41,437	104,871	83,707
General and administrative	43,707	35,144	83,257	71,212
Amortization of other intangible assets	4,152	4,238	8,260	8,477
Restructuring charge				454
Total costs and operating expenses	188,479	150,206	362,458	304,455
Income from operations	56,839	54,394	122,889	110,513
Interest income	3,262	4,059	6,512	8,799
Interest expense	(618)	(710)	(1,327)	(1,420)
Other income, net	122	184	47	1,318
Gain on investments, net	127	105	248	560
Loss on early extinguishment of debt	(294)		(294)	
Income before provision for income taxes	59,438	58,032	128,075	119,770
Provision for income taxes	21,315	22,025	49,074	46,682
Net income	\$ 38,123	\$ 36,007	\$ 79,001	\$ 73,088
Net income per weighted average share:				
Basic	\$ 0.22	\$ 0.21	\$ 0.46	\$ 0.43
Diluted	\$ 0.20	\$ 0.19	\$ 0.42	\$ 0.39
Shares used in per share calculations:				
Basic	173,317	172,561	172,209	171,540
Diluted	190,479	189,556	189,746	188,870

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

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AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended June 30,	
	2010	2009
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 79,001	\$ 73,088
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,634	58,356
Stock-based compensation expense	39,384	28,387
Provision for deferred income taxes, net	44,611	43,167
Amortization of deferred financing costs	394	420
Provision for doubtful accounts	1,445	3,521
Excess tax benefits from stock-based compensation	(12,923)	(658)
Gains on investments and disposal of property and equipment, net	(245)	(387)
Non-cash portion of loss on early extinguishment of debt	294	
Gain on divestiture of certain assets		(1,062)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(16,406)	10,660
Prepaid expenses and other current assets	(40,284)	(4,275)
Accounts payable, accrued expenses and other current liabilities	11,878	(21,337)
Deferred revenue	(1,319)	946
Accrued restructuring	(93)	(675)
Other non-current assets and liabilities	762	4,149
 Net cash provided by operating activities	 174,133	 194,300
Cash flows from investing activities:		
Cash paid for acquisition of business, net of cash acquired	(12,010)	(5,779)
Purchases of property and equipment	(86,446)	(34,033)
Capitalization of internal-use software costs	(14,841)	(13,687)
Purchases of short- and long-term marketable securities	(614,679)	(163,882)
Proceeds from sales of short- and long-term marketable securities	274,620	141,511
Proceeds from maturities of short- and long-term marketable securities	230,102	50,161
Increase in other investments	(500)	
Proceeds from divestiture of certain assets		