

Carbonite Inc
Form DEF 14A
March 27, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(RULE 14A-101)
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

CARBONITE, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party

(4) Date Filed:

2017 Notice of Meeting and Proxy Statement

Two Avenue de Lafayette
Boston, Massachusetts 02111

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 8, 2017

I am pleased to invite you to attend the 2017 Annual Meeting of Stockholders (the “Annual Meeting”) of Carbonite, Inc. (the “Company”) to be held on Monday, May 8, 2017 at 9:00 a.m. Eastern Time at the Hyatt Regency, Plymouth Room, One Avenue de Lafayette, Boston, MA 02111 for the following purposes:

1. To elect two Class III directors named in this Proxy Statement to hold office until the 2020 annual meeting of stockholders or until their successors are elected and qualified;
2. To ratify the selection by the Audit Committee of the Board of Directors of the Company of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2017;
3. To approve, on an advisory basis, the compensation of the Company’s named executive officers as disclosed in the accompanying materials;
4. To approve the 2017 Employee Stock Purchase Plan; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Stockholders of record at the close of business on March 15, 2017 (the “Record Date”) are entitled to receive this notice of the Annual Meeting and to vote at the Annual Meeting and at any adjournments of such meeting.

We have elected to use the internet as our primary means of providing our proxy materials to stockholders. Accordingly, most stockholders will not receive paper copies of our proxy materials. On or about March 27, 2017, a Notice of Internet Availability of Proxy Materials and Notice of Annual Meeting of Stockholders (the “Notice”) is first being mailed to our stockholders of record as of the Record Date and our proxy materials are being posted on the website referenced in the Notice (www.proxyvote.com). The Notice contains instructions for voting via the internet and for accessing our proxy materials, which include our Proxy Statement and our 2016 Annual Report, including our Form 10-K for the year ended December 31, 2016 (our “2016 Annual Report”). The Notice also provides information on how stockholders may obtain paper copies of our proxy materials free of charge, if they so choose. The electronic delivery of our proxy materials will significantly reduce our printing and mailing costs and the environmental impact of our proxy materials.

The Notice also provides the date, time, and location of the Annual Meeting; the matters to be acted upon at the Annual Meeting and the recommendation of our Board of Directors with regard to each such matter; a toll-free number, an email address, and a website where stockholders can request a paper or email copy of our proxy materials and a form of proxy relating to the Annual Meeting; information on how to electronically access the form of proxy; and information on how to attend the Annual Meeting and vote in person.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING, YOU MAY SUBMIT YOUR PROXY BY TELEPHONE OR VIA INTERNET USING THE INSTRUCTIONS ON THE NOTICE OR, IF YOU RECEIVED PAPER COPIES OF THE PROXY MATERIALS BY MAIL, YOU MAY ALSO VOTE BY FOLLOWING THE INSTRUCTIONS ON THE PROXY CARD AND RETURNING THE PROXY CARD IN THE ENCLOSED PREPAID ENVELOPE TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO, EVEN IF YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY.

By Order of the Board of Directors,

Danielle Sheer

General Counsel, Vice President, and Secretary
March 27, 2017

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 8, 2017**

2017 Notice of Meeting and Proxy Statement

The Proxy Statement and the 2016 Annual Report are available at www.investor.carbonite.com.

2017 Notice of Meeting and Proxy Statement

Two Avenue de Lafayette
Boston, Massachusetts 02111

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 8, 2017

1

2017 Notice of Meeting and Proxy Statement

Proxy Summary

In this Proxy Statement, we refer to Carbonite, Inc. as the “Company,” “Carbonite,” “we,” or “us” and the Board of Directors as our “Board.” When we refer to Carbonite’s fiscal year, we mean the twelve-month period ending December 31 of the stated year. This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider and you should read the entire Proxy Statement before voting.

Meeting Agenda and Voting Matters

Item	Management Proposal	Board Vote Recommendation	Page Reference (for more detail)
1	Election of two Class III directors to hold office until the 2020 annual meeting of stockholders or until their successors are elected and qualified	FOR each director nominee named in the Proxy Statement	10
2	Ratification of the selection by the Audit Committee of our Board of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2017	FOR	24
3	Approval, on an advisory basis, of the compensation of the Company’s named executive officers	FOR	30
4	Approval of the 2017 Employee Stock Purchase Plan	FOR	50

Business Highlights

The fiscal year ended December 31, 2016 was another year of strong performance and results for Carbonite. Our fiscal 2016 highlights include the following:

- Revenue increased by 52% over fiscal year 2015 to \$207.0 million;
- Total bookings increased by 45% over fiscal year 2015 to \$209.3 million;
- Net loss was (\$4.1) million or (\$.15) per share, compared to a net loss of (\$21.6) million or (\$0.80) per share in fiscal year 2015;
- Non-GAAP net income was \$16.4 million or \$0.61 per share (basic) and \$0.60 per share (diluted), compared to a non-GAAP net income of \$3.2 million or \$0.12 per share (basic and diluted) in fiscal year 2015;
- We successfully closed on the acquisition of EVault, Inc. (“EVault”), and completed elements of the integration ahead of plan;
- We significantly increased our stockholder outreach efforts, increasing the level of engagement with current and potential stockholders;
- We returned excess cash to stockholders via a stock repurchase program; and
- Our stock price increased approximately 70% in 2016, as compared to an approximate 7.5% increase for the NASDAQ Composite Index and an approximate 24% increase for the NASDAQ-100 Technology Sector Index.

A reconciliation of the non-GAAP financial measures included above to their most directly comparable GAAP measures can be found in Appendix A to this Proxy Statement.

2017 Notice of Meeting and Proxy Statement

Stockholder Engagement

We believe in the importance of engaging with and listening to our stockholders. In recent years we have proactively reached out to many of our largest stockholders to solicit their feedback on our executive compensation, corporate governance, or our disclosure practices. We expect to continue to engage in an open dialogue with our stockholders through a combination of email exchanges, conference calls and in-person meetings. We received valuable feedback from stockholders, as well as appreciation of our ongoing outreach efforts and acknowledgment of our increased engagement from stockholders, and we believe we have addressed many of the topics raised by our stockholders.

Changes We've Made in Response to Stockholder Feedback

- ü Performance-Based Equity Program for 2016
- ü Stock Ownership Guidelines for Board and Senior Executives
- ü Independent Chairman of the Board
- ü Expiration of our Rights Agreement
- ü Commitment to Ongoing Stockholder Outreach & Engagement

Corporate Governance

2017 Notice of Meeting and Proxy Statement

Members of our Board of Directors

Name and Principal Occupation	Age	Position	Director Since	Term Expires	Audit Comp. Nom./Gov.	
David Friend * CEO of BlueArchive, Inc.	69	Director (Class III)	2005	2017		
Todd Krasnow * President of Cobbs Capital, Inc.	59	Director (Class III)	2005	2017	ü	ü
Mohamad Ali President & CEO of the Company	46	President, CEO and Director (Class I)	2015	2018		
Scott Daniels Former senior analyst of Shannon River Partners	51	Director (Class I)	2016	2018	ü	
Jeffrey Flowers CTO of BlueArchive, Inc.	63	Director (Class III)	2005	2017		
Peter Gyenes Non-executive Chairman of Sophos plc.	71	Director (Class I)	2015	2018		ü ü
Charles Kane Director and former president of One Laptop Per Child	59	Director (Class II)	2011	2019	ü	ü
Stephen Munford Director and former CEO of Sophos Ltd.	51	Chairman of the Board (Class II)	2014	2019		ü ü

(*) Director standing for re-election at the Annual Meeting. The Nominating and Governance Committee of the Board has initiated a search for an independent director candidate to succeed Mr. Flowers.

Information about our Board and Committees

	Number of Members	Independence	Number of Meetings During Fiscal Year 2016
Full Board	8	62.5%	7
Audit Committee	3	100%	8
Compensation Committee	3	100%	5
Nominating and Corporate Governance Committee	3	100%	4

Governance Strengths

- ü Independent Chairman of the Board
- ü Stock Ownership Guidelines for Board and Senior Executives
- ü Expiration of our Rights Agreement
- ü Standing Board Committees Comprised Solely of Independent Directors
- ü Committee Authority to Retain Independent Advisors
- ü Annual Say on Pay Vote
- ü Succession Planning Process for CEO and Senior Management
- ü Regular Executive Sessions of Board of Directors
- ü Annual Board and Committee Self-Evaluations
- ü Periodic Reviews of Committee Charters and Governance Guidelines

ü Robust Code of Business Conduct and Ethics; Policies on Insider Trading and Related Person Transactions

4

2017 Notice of Meeting and Proxy Statement

Executive Compensation Highlights

We have designed our executive compensation program to align our executive compensation practices with the success of our business and stockholder returns. We do this by providing an annual cash bonus plan tied to our annual financial performance and by granting long-term equity incentives and, beginning in 2016, included performance-based equity awards as part of the annual long-term incentive awards. Since our IPO in 2011, we have continued to update our executive compensation program to remain competitive and to match the maturity, size, scale and growth of our business. See our Compensation Discussion and Analysis for more information about our executive compensation program.

Key Features of our Executive Compensation Program

What We Do:

- ü Performance-Based Equity – Beginning in 2016, a significant portion of long-term incentives for all senior management was in the form of PRSUs tied directly to stock price appreciation, in order to further align senior management compensation with stockholder returns.
- ü Linkage Between Performance Measures and Strategic and Operational Objectives – Our executive compensation program is designed to align compensation incentives with our strategic, business, and financial objectives and the long-term interests of our stockholders.
- ü Pay for Performance - A significant percentage of our targeted annual compensation is delivered in the form of variable compensation that is connected to actual performance. For 2016, variable compensation comprised approximately 35% of the targeted annual compensation for our named executive officers.
- ü Market Comparison of Executive Compensation Against a Relevant Peer Group
- ü “Double Trigger” in the Event of a Change in Control – In the event of a change in control, cash severance benefits and unvested equity awards are predominantly payable or vest upon a “double trigger” for our senior executive officers.
- ü Independent Compensation Consultant - The Compensation Committee retains its own compensation consultant to review and advise on the Company’s executive compensation program and practices.
- ü Maximum Payout Caps for Annual Cash Incentive Compensation
- ü Share Ownership Guidelines - Our Chief Executive Officer is required to hold 3x his base salary, and our other senior executive officers are required to hold 1x their base salaries, each within three years of the adoption of the guidelines or, if later, promotion or hire.
- ü Emphasis on Future Pay Opportunity vs. Current Pay Opportunity – For 2016, all our long-term incentive awards were delivered 100% in the form of equity, designed to encourage retention and stock price appreciation through RSUs and PRSUs

What We Don’t Do:

- ý No Change in Control or Perquisite Tax Gross-Ups
- ý No Excessive Severance Benefits
- ý No Service-Based Defined Benefit Pension Plan or Other Similar Benefits
- ý No Repricing of Underwater Stock Options

2017 Notice of Meeting and Proxy Statement

Recent Compensation Actions

As part of its annual compensation process, the Compensation Committee of the Board approved the following compensation decisions with respect to the named executive officers:

2016 Cash Bonus Plan. Under the 2016 cash bonus plan, bonuses were determined based on the Company's performance with respect to new bookings, renewal bookings and adjusted free cash flow targets, weighted 50%, 25% and 25%, respectively. Based on the Company's goal attainment of 94%, 101%, and 200%, respectively, the Compensation Committee certified a bonus payout of 113% of target for the participating named executive officers, as further described in the Compensation Discussion & Analysis section titled "Elements of our Executive Compensation Program".

2016 Equity Incentives. The 2016 annual equity program consisted of RSUs and PRSUs as part of the annual equity grants in order to better align senior management compensation with stockholder value. Under the terms of the awards granted in 2016, the PRSUs will vest if, within three years from the date of grant, the Company achieves a minimum stock price of \$15.00 per share for 20 consecutive trading days, representing a 53% premium as compared to our December 31, 2015 closing stock price of \$9.80 per share. On November 7, 2016, the PRSUs achieved the \$15.00 trading price for 20 consecutive trading days and as such the PRSUs began to vest subject to the service-based vesting conditions set forth in the respective PRSU Agreement.

Executive Severance Plan. On February 1, 2016, the Compensation Committee adopted the Carbonite, Inc. Executive Severance Plan (the "Severance Plan") for certain members of the Company's senior executive team in order to standardize our severance benefits, and to establish a plan similar to our peers to allow us to attract and retain exemplary talent. The Severance Plan provides for the payment of severance and other benefits to eligible senior executives in the event of a termination of employment with the Company (i) by the Company other than for cause or (ii) by a senior executive for good reason within twelve (12) months following a sale event, each as defined in the Severance Plan.

2017 Notice of Meeting and Proxy Statement

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Q. When and where will the Annual Meeting be held?

A. The Annual Meeting will be held at the Hyatt Regency, Plymouth Room, One Avenue de Lafayette, Boston, MA 02111 on Monday, May 8, 2017, at 9:00 a.m. Eastern Time.

Q. Why did I receive a one-page notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?

A. Pursuant to rules adopted by the Securities and Exchange Commission (the “SEC”), we have elected to provide access to our proxy materials over the internet. Accordingly, on or about March 27, 2017, a Notice of Internet Availability of Proxy Materials and Notice of Annual Meeting of Stockholders (the “Notice”) is first being mailed to our stockholders of record as of March 15, 2017 (the “Record Date”) and our proxy materials are first being posted on the website referenced in the Notice (www.proxyvote.com). All stockholders will have the ability to access the proxy materials on the website referred in the Notice or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy may be found in the Notice. In addition, stockholders may request proxy materials by mail or electronically by email on an ongoing basis. We encourage stockholders to take advantage of the availability of the proxy materials on the internet to help reduce the environmental impact of the Annual Meeting.

Q.