

RAMBUS INC  
Form 10-Q  
July 28, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(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, 2017

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: 000-22339

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RAMBUS INC.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization) 94-3112828 (I.R.S. Employer Identification No.)

1050 Enterprise Way, Suite 700

94089

Sunnyvale, California

(Address of principal executive offices) (ZIP Code)

Registrant's telephone number, including area code: (408) 462-8000

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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, a 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

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller 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 7(a)(2)(B) of the Securities Act.



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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

The number of shares outstanding of the registrant's Common Stock, par value \$.001 per share, was 109,277,223 as of June 30, 2017.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. These forward-looking statements include, without limitation, predictions regarding the following aspects of our future:

- Success in the markets of our products and services or our customers’ products;
- Sources of competition;
- Research and development costs and improvements in technology;
- Sources, amounts and concentration of revenue, including royalties;
- Success in signing and renewing license agreements;
- Terms of our licenses and amounts owed under license agreements;
- Technology product development;
- Dispositions, acquisitions, mergers or strategic transactions and our related integration efforts, including our acquisitions of Smart Card Software Ltd., the assets of Semtech Corporation’s Snowbush IP group and Inphi Corporation’s Memory Interconnect Business;
- Impairment of goodwill and long-lived assets;
- Pricing policies of our customers;
- Changes in our strategy and business model, including the expansion of our portfolio of inventions, products, software, services and solutions to address additional markets in lighting, memory, chip, mobile payments, smart ticketing and security;
- Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;
- Effects of security breaches or failures in our or our customers’ products and services on our business;
- Engineering, sales and general and administration expenses;
- Contract revenue;
- Operating results;
- International licenses, operations and expansion;
- Effects of changes in the economy and credit market on our industry and business;
- Ability to identify, attract, motivate and retain qualified personnel;
- Effects of government regulations on our industry and business;
- Manufacturing, shipping and supply partners and/or sale and distribution channels;
- Growth in our business;
- Methods, estimates and judgments in accounting policies;
- Adoption of new accounting pronouncements;
- Effective tax rates;
- Restructurings and plans of termination;
  - Realization of deferred tax assets/release of deferred tax valuation allowance;
- Trading price of our common stock;
- Internal control environment;
- The level and terms of our outstanding debt and the repayment or financing of such debt;
- Protection of intellectual property;
- Any changes in laws, agency actions and judicial rulings that may impact the ability to enforce intellectual property rights;
- Indemnification and technical support obligations;
- Equity repurchase plans;

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• Issuances of debt or equity securities, which could involve restrictive covenants or be dilutive to our existing stockholders;

• Effects of fluctuations in currency exchange rates;

• Outcome and effect of potential future intellectual property litigation and other significant litigation; and

• Likelihood of paying dividends.

You can identify these and other forward-looking statements by the use of words such as “may,” “future,” “shall,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “potential,” “continue,” “projecting” or the negative terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part II: Item 1A, “Risk Factors.” All forward-looking statements included in this document are based on our assessment of information available to us at this time. We assume no obligation to update any forward-looking statements.

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

## RAMBUS INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2017	December 31, 2016
	(In thousands, except shares and par value)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 167,207	\$ 135,294
Marketable securities	746	36,888
Accounts receivable	36,788	21,099
Inventories	5,328	5,633
Prepays and other current assets	12,255	17,867
Total current assets	222,324	216,781
Intangible assets, net	111,875	132,388
Goodwill	207,959	204,794
Property, plant and equipment, net	54,305	58,442
Deferred tax assets	204,267	168,342
Other assets	2,564	2,749
Total assets	\$ 803,294	\$ 783,496
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 9,099	\$ 9,793
Accrued salaries and benefits	14,076	14,177
Deferred revenue	21,327	16,932
Other current liabilities	6,615	10,399
Total current liabilities	51,117	51,301
Convertible notes, long-term	129,690	126,167
Long-term imputed financing obligation	37,677	38,029
Other long-term liabilities	14,592	15,217
Total liabilities	233,076	230,714
Commitments and contingencies (Notes 9 and 13)		
Stockholders' equity:		
Convertible preferred stock, \$.001 par value:		
Authorized: 5,000,000 shares		
Issued and outstanding: no shares at June 30, 2017 and December 31, 2016	—	—
Common stock, \$.001 par value:		
Authorized: 500,000,000 shares		
Issued and outstanding: 109,277,223 shares at June 30 2017 and 111,053,734 shares at December 31, 2016	109	111
Additional paid-in capital	1,179,283	1,181,230
Accumulated deficit	(600,557 )	(615,051 )
Accumulated other comprehensive loss	(8,617 )	(13,508 )
Total stockholders' equity	570,218	552,782
Total liabilities and stockholders' equity	\$ 803,294	\$ 783,496
See Notes to Unaudited Condensed Consolidated Financial Statements		





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RAMBUS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(In thousands, except per share amounts)			
Revenue:				
Royalties	\$69,990	\$62,835	\$138,946	\$125,712
Product revenue	8,401	3,902	19,305	7,214
Contract and other revenue	16,329	9,764	33,820	16,257
Total revenue	94,720	76,501	192,071	149,183
Operating costs and expenses:				
Cost of product revenue*	7,480	3,016	12,730	5,550
Cost of contract and other revenue	14,337	11,073	28,818	20,746
Research and development*	37,522	28,753	73,522	57,280
Sales, general and administrative*	27,137	21,789	55,323	44,884
Gain from settlement	—	(138)	—	(579)
Total operating costs and expenses	86,476	64,493	170,393	127,881
Operating income	8,244	12,008	21,678	21,302
Interest income and other income (expense), net	129	1,138	283	1,380
Interest expense	(3,261)	(3,163)	(6,467)	(6,304)
Interest and other income (expense), net	(3,132)	(2,025)	(6,184)	(4,924)
Income before income taxes	5,112	9,983	15,494	16,378
Provision for income taxes	2,507	6,107	9,883	10,624
Net income	\$2,605	\$3,876	\$5,611	\$5,754
Net income per share:				
Basic	\$0.02	\$0.04	\$0.05	\$0.05
Diluted	\$0.02	\$0.03	\$0.05	\$0.05
Weighted average shares used in per share calculation:				
Basic	110,060	109,904	110,758	109,818
Diluted	112,565	112,061	114,091	112,202

\* Includes stock-based compensation:

Cost of product revenue	\$19	\$14	\$33	\$28
Research and development	\$3,067	\$2,109	\$6,079	\$4,189
Sales, general and administrative	\$3,523	\$2,926	\$7,093	\$5,696

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Net income	\$ 2,605	\$ 3,876	\$ 5,611	\$ 5,754
Other comprehensive income (loss):				
Foreign currency translation adjustment	3,597	(5,559 )	4,596	(6,199 )
Unrealized gain (loss) on marketable securities, net of tax	55	(188 )	295	(371 )
Total comprehensive income (loss)	\$ 6,257	\$ (1,871 )	\$ 10,502	\$ (816 )

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	Six Months Ended June 30,	
	2017	2016
	(In thousands)	
Cash flows from operating activities:		
Net income	\$5,611	\$5,754
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	13,205	9,913
Depreciation	6,722	5,965
Amortization of intangible assets	20,938	15,871
Non-cash interest expense and amortization of convertible debt issuance costs	3,523	3,326
Deferred income taxes	514	2,816
Excess tax benefits from stock-based compensation	—	(591 )
(Gain) loss from disposal of property, plant and equipment	180	(37 )
Effect of exchange rate on assumed cash liability from acquisition	—	(624 )
Change in operating assets and liabilities, net of impact of acquisitions:		
Accounts receivable	(13,152)	14,809
Prepaid expenses and other assets	5,116	(1,319 )
Inventories	304	(537 )
Accounts payable	(396 )	2,167
Accrued salaries and benefits and other liabilities	(4,122 )	(9,046 )
Deferred revenue	4,090	1,794
Net cash provided by operating activities	42,533	