

AEROHIVE NETWORKS, INC
Form 10-Q
August 01, 2018

UNITED
STATES
SECURITIES
AND
EXCHANGE
COMMISSION
Washington,
D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018.

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: 001-36355

Aerohive Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware 20-4524700

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

1011 McCarthy Boulevard
Milpitas, California 95035
(408) 510-6100

(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 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 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

Edgar Filing: AEROHIVE NETWORKS, INC - Form 10-Q

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

The number of shares of the registrant's common stock, par value \$0.001, outstanding as of July 27, 2018 was 55,323,058.

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Condensed Consolidated Financial Statements</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>2</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Loss</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>35</u>
Item 4. <u>Controls and Procedures</u>	<u>36</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>36</u>
Item 1A. <u>Risk Factors</u>	<u>37</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>69</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>69</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>70</u>
Item 5. <u>Other Information</u>	<u>70</u>
Item 6. <u>Exhibits</u>	<u>70</u>
<u>Signatures</u>	<u>71</u>

The Aerohive Networks design logo and the marks “Aerohive®,” “HiveManager®,” “HiveOS” “Aerohive Network™,” “Aerohive Atom AP30™,” “Aerohive Connect™,” “HiveManager Connect™,” “Aerohive Select™,” and “HiveCare Select™” are the property of Aerohive Networks, Inc. All Rights Reserved. This Quarterly Report on Form 10-Q contains additional trade names, trademarks and service marks of other companies.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AEROHIVE NETWORKS, INC.

Condensed Consolidated Balance Sheets

(unaudited, in thousands, except share and per share amounts)

	June 30, 2018	December 31, 2017 (As Adjusted)*
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$34,973	\$27,249
Short-term investments	52,644	57,675
Accounts receivable, net of allowance for doubtful accounts of \$120 and \$127 as of June 30, 2018 and December 31, 2017, respectively	17,187	17,662
Inventories	11,234	13,495
Prepaid expenses and other current assets	6,689	6,396
Total current assets	122,727	122,477
Property and equipment, net	6,881	6,381
Goodwill	513	513
Other assets	5,270	4,900
Total assets	\$135,391	\$134,271
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$12,395	\$11,946
Accrued liabilities	9,080	8,602
Debt, current	20,000	—
Deferred revenue, current	35,393	33,279
Total current liabilities	76,868	53,827
Debt, non-current	—	20,000
Deferred revenue, non-current	35,914	33,761
Other liabilities	1,687	1,769
Total liabilities	114,469	109,357
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, par value of \$0.001 per share - 25,000,000 shares authorized as of June 30, 2018 and December 31, 2017; no shares issued and outstanding as of June 30, 2018 and December 31, 2017	—	—
Common stock, par value of \$0.001 per share - 500,000,000 shares authorized as of June 30, 2018 and December 31, 2017; 55,320,058 and 54,171,498 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	55	55
Additional paid-in capital	285,722	278,528
Treasury stock - 1,610,204 and 1,361,243 shares as of June 30, 2018 and December 31, 2017, respectively	(7,239)	(6,216)
Accumulated other comprehensive loss	(44)	(30)
Accumulated deficit	(257,572)	(247,423)
Total stockholders' equity	20,922	24,914
Total liabilities and stockholders' equity	\$135,391	\$134,271

See notes to condensed consolidated financial statements.

* The Company has adjusted certain amounts for the retrospective change in accounting policy for revenue recognition

(See Note 1).

2

AEROHIVE NETWORKS, INC.

Condensed Consolidated Statements of Operations

(unaudited, in thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	(As Adjusted)*		(As Adjusted)*	
Revenue:				
Product	\$29,268	\$ 32,105	\$54,334	\$ 59,072
Subscription and support	11,207	10,096	21,908	19,458
Total revenue	40,475	42,201	76,242	78,530
Cost of revenue ⁽¹⁾ :				
Product	10,379	10,470	19,050	19,285
Subscription and support	3,383	3,153	6,787	6,329
Total cost of revenue	13,762	13,623	25,837	25,614
Gross profit	26,713	28,578	50,405	52,916
Operating expenses:				
Research and development ⁽¹⁾	8,581	9,222	17,860	18,772
Sales and marketing ⁽¹⁾	15,731	17,411	31,401	34,848
General and administrative ⁽¹⁾	5,272	5,489	11,226	11,786
Total operating expenses	29,584	32,122	60,487	65,406