

MAGICJACK VOCALTEC LTD  
Form 10-Q  
August 06, 2018

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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, 2018

OR

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

For transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-27648

MAGICJACK VOCALTEC LTD.  
(Exact name or Registrant as specified in its charter)

STATE OF ISRAEL  
(State or Other Jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

12 HAOMANUT STREET, 2ND FLOOR  
POLEG INDUSTRIAL ZONE, NETANYA, ISRAEL 4250445  
(Address of principal executive offices, including zip code)

(561) 749-2255  
(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 Website, 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).

Edgar Filing: MAGICJACK VOCALTEC LTD - Form 10-Q

Yes          No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	Non-accelerated filer	Smaller reporting company	Emerging growth company
	Accelerated filer (Do not check if smaller reporting 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 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

There were 16,205,426 ordinary shares with no par value outstanding at July 31, 2018.

---

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

<u>ITEM 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	4
<u>Condensed Consolidated Statement of Capital Equity (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	8
<u>ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	42
<u>ITEM 4. Controls and Procedures</u>	42

PART II OTHER INFORMATION

<u>ITEM 1. Legal Proceedings</u>	43
<u>ITEM 1A. Risk Factors</u>	43
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
<u>ITEM 3. Defaults Upon Senior Securities</u>	43
<u>ITEM 4. Mine Safety Disclosures</u>	43
<u>ITEM 5. Other Information</u>	43
<u>ITEM 6. Exhibits</u>	44

## DEFINITIONS

In this quarterly report on Form 10-Q, unless the context otherwise requires:

references to “magicJack VocalTec,” the “Company,” “we,” “us” or “our” are to magicJack VocalTec Ltd., a company organized under the laws of the State of Israel (the “Registrant”), and its subsidiaries;

references to “common shares”, “ordinary shares”, “our shares” and similar expressions refer to the Registrant’s Ordinary Shares, no par value;

references to “\$” or “dollars” are to U.S. dollars. All references to “NIS” are to New Israeli Shekels and “PLN” are to Polish Zloty. Except as otherwise indicated, financial statements of, and information regarding, magicJack VocalTec are presented in U.S. dollars; and

references to the “magicJack devices” are to the original magicJack<sup>®</sup>, the magicJack PLUS<sup>™</sup>, the New magicJack PLUS<sup>™</sup>, the magicJackGO and the magicJackEXPRESS<sup>™</sup>.

## PART I – FINANCIAL INFORMATION

## ITEM 1. Financial Statements

MAGICJACK VOCALTEC LTD. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	June 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 58,896	\$52,638
Investments, at fair value	369	369
Accounts receivable, net of allowance for doubtful accounts and billing adjustments of \$221 and \$234, respectively	2,153	2,428
Inventories	1,825	1,880
Deferred costs	-	1,936
Contract costs, current portion	301	-
Prepaid income taxes	844	2,016
Deposits and other current assets	1,753	1,874
Total current assets	66,141	63,141
Property and equipment, net	2,264	2,772
Intangible assets, net	8,820	10,190
Goodwill	32,304	32,304
Deferred tax assets	31,467	31,726
Contract costs, net of current portion	541	-
Deposits and other non-current assets	814	909
Total assets	\$ 142,351	\$141,042
<b>LIABILITIES AND CAPITAL EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,289	\$3,199
Accrued expenses and other current liabilities	5,111	6,454
Deferred revenue, current portion	-	42,243
Contract liabilities, current portion	39,129	-
Total current liabilities	46,529	51,896
Deferred revenue, net of current portion	-	38,797
Contract liabilities, net of current portion	36,602	-
Other non-current liabilities	13,994	13,787
Total liabilities	97,125	104,480
Commitments and contingencies (Note 9)		
Capital equity		
Ordinary shares, No par value; 100,000 shares authorized; 25,072 shares issued at June 30, 2018 and December 31, 2017	112,038	112,038
Additional paid-in capital	15,564	13,848

Edgar Filing: MAGICJACK VOCALTEC LTD - Form 10-Q

Treasury stock (8,866 and 8,882 shares at June 30, 2018 and December 31, 2017, respectively)	(117,930 )	(118,146)
Retained earnings	35,554	28,822
Total capital equity	45,226	36,562
Total liabilities and capital equity	\$ 142,351	\$ 141,042

See accompanying notes to condensed consolidated financial statements.

3

---

MAGICJACK VOCALTEC LTD. AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share information)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net revenues	\$20,022	\$22,381	\$40,037	\$45,578
Cost of revenues	7,100	8,166	14,263	17,617
Gross profit	12,922	14,215	25,774	27,961
Operating expenses:				
Marketing	893	2,120	2,085	4,527
General and administrative	5,799	9,544	13,301	22,369
Impairment of intangible assets and goodwill	-	-	131	31,527
Research and development	1,404	1,462	2,861	2,961
Total operating expenses	8,096	13,126	18,378	61,384

Operating income (loss)

Other than the foregoing agreements and arrangements, and the Joint Filing Agreement filed as Exhibit 1 to Amendment No. 14 to the Schedule 13D, there are no contracts, arrangements, understandings or relationships among the persons named in Item 2 hereof and between such persons and any person with respect to any securities of the Issuer.

CUSIP NO. 009207101

Item 7. Material to be Filed as Exhibits.

Exhibit No.	Description
1	Joint Filing Agreement.*
2	March 30, 2012 Letter from Nick Swenson to the Chairman and Chief Executive Officer of the Issuer.*
3	April 4, 2013 Email from Nick Swenson to the Lead Director of the Issuer.*
4	April 25, 2013 Letter from Nick Swenson to the Lead Independent Director of the Issuer.*
5	May 6, 2013 Letter from Nick Swenson to the Lead Independent Director of the Issuer.*
6	Nomination Letter dated as of May 2, 2013 (submitted May 7, 2013).*
7	May 22, 2013 Letter from Nick Swenson to the Lead Independent Director of the Issuer.*
8	Supplemented Nomination Letter dated as of May 28, 2013.*
9	Settlement Agreement, dated June 12, 2013, among the Reporting Parties and the Issuer.*

---

\* Previously filed



CUSIP NO. 009207101

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: March 5, 2014

AO PARTNERS I, L.P.

By: AO PARTNERS, LLC  
General Partner

By: /s/ Nicholas J. Swenson  
Nicholas J. Swenson  
Managing Member

AO PARTNERS, LLC

By: /s/ Nicholas J. Swenson  
Nicholas J. Swenson  
Managing Member

/s/ Nicholas J. Swenson  
Nicholas J. Swenson