

AEROHIVE NETWORKS, INC
Form 10-Q
May 02, 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 March 31, 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 April 27, 2018 was 54,629,170.

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>36</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>69</u>
Item 5. <u>Other Information</u>	<u>69</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)

	March 31, 2018	December 31, 2017 (As Adjusted)*
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$21,484	\$27,249
Short-term investments	56,388	57,675
Accounts receivable, net of allowance for doubtful accounts of \$120 and \$127 as of March 31, 2018 and December 31, 2017, respectively	19,474	17,662
Inventories	13,558	13,495
Prepaid expenses and other current assets	6,205	6,396
Total current assets	117,109	122,477
Property and equipment, net	6,988	6,381
Goodwill	513	513
Other assets	5,009	4,900
Total assets	\$129,619	\$134,271
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$12,020	\$11,946
Accrued liabilities	7,811	8,602
Debt, current	20,000	—
Deferred revenue, current	33,885	33,279
Total current liabilities	73,716	53,827
Debt, non-current	—	20,000
Deferred revenue, non-current	33,993	33,761
Other liabilities	1,734	1,769
Total liabilities	109,443	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 March 31, 2018 and December 31, 2017; no shares issued and outstanding as of March 31, 2018 and December 31, 2017	—	—
Common stock, par value of \$0.001 per share - 500,000,000 shares authorized as of March 31, 2018 and December 31, 2017; 54,625,924 and 54,171,498 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	55	55
Additional paid-in capital	281,146	278,528
Treasury stock - 1,361,243 shares as of March 31, 2018 and December 31, 2017, respectively	(6,216)	(6,216)
Accumulated other comprehensive loss	(69)	(30)
Accumulated deficit	(254,740)	(247,423)
Total stockholders' equity	20,176	24,914
Total liabilities and stockholders' equity	\$129,619	\$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 March 31,	
	2018	2017
	(As Adjusted)*	
Revenue:		
Product	\$25,066	\$ 26,967
Subscription and support	10,701	9,362
Total revenue	35,767	36,329
Cost of revenue ⁽¹⁾ :		
Product	8,671	8,815
Subscription and support	3,404	3,176
Total cost of revenue	12,075	11,991
Gross profit	23,692	24,338
Operating expenses:		
Research and development ⁽¹⁾	9,279	9,550
Sales and marketing ⁽¹⁾	15,670	17,437
General and administrative ⁽¹⁾	5,954	6,297
Total operating expenses	30,903	33,284
Operating loss	(7,211)	(8,946)
Interest income	289	140
Interest expense	(164)	(130)
Other expense, net	(173)	(85)
Loss before income taxes	(7,259)	(9,021)
Provision for income taxes	58	97
Net loss	\$(7,317)	\$(9,118)
Net loss per share, basic and diluted	\$(0.13)	\$(0.17)
Weighted-average shares used in computing net loss per share, basic and diluted	54,332,767	52,439,039
(1) Includes stock-based compensation as follows:		
Cost of revenue	\$246	\$ 271
Research and development	1,046	688
Sales and marketing	997	