CARBONITE INC

FORM 8-K
(Current report filing)

Filed 09/19/17 for the Period Ending 09/19/17

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 19, 2017

CARBONITE, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-35264	33-1111329
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Two Avenue de Lafayette, Boston, Massachusetts 02111
(Address of principal executive offices, including ZIP code)

(617) 587-1100
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 C.F.R. §230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 C.F.R. §230.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 C.F.R. §14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 C.F.R. §13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
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 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure

On September 19, 2017, Carbonite, Inc. (the "Company") filed a press release reaffirming the Company's Q3 2017 financial guidance. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference. The Company held its 2017 Investor Day at the Company's headquarters in Boston, Massachusetts on September 19, 2017. Selected investor presentation slides are furnished as Exhibit 99.2 to this Current Report on Form 8-K and are incorporated herein by reference. A full copy of the slides will be available at our investor relations website at www.investor.carbonite.com. The live audio webcast and slide presentation will be accessible through the investor relations portion of the Company's website.

The information furnished on this Form 8-K, including the exhibit attached, shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 (d): Exhibits

99.1	Press Release dated September 19, 2017
99.2	Investor Presentation Slides dated September 19, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized on September 19, 2017.

CARBONITE, INC.

By:	/s/ Danielle Sheer
Name:	Danielle Sheer
Title:	General Counsel and Corporate Secretary

Exhibit 99.1

Carbonite Hosts Inaugural Financial Analyst and Investor Day

Company Reaffirms Q3 2017 Business Outlook

Webcast to begin at 1:00pm ET

BOSTON, MA - September 19, 2017 - Carbonite , Inc. (NASDAQ: CARB), a leading provider of cloud, hybrid and onsite data protection solutions, will host its Inaugural Financial Analyst and Investor Day today, Tuesday, September 19, 2017 from approximately 1:00 p.m. ET to 5:00 p.m. ET at the Company's headquarters in Boston, Massachusetts.

"Our inaugural financial analyst and investor day provides an opportunity for us to showcase the incredible team at Carbonite, detail our growth strategy, discuss our key differentiators, and outline our long-term financial goals. We have made incredible progress in building the architecture and integrating the technologies that create the foundation for our market-leading data protection platform, and I look forward to sharing our plans for continued growth and success," said Mohamad Ali, President and CEO of Carbonite.

The Company reiterated its third quarter 2017 business outlook previously issued in conjunction with the reporting of its second quarter 2017 financial results on August 3, 2017. Outlook for the third quarter of 2017 is as follows:

- GAAP Revenue in the range of $59.0 - $61.0 million
- Non-GAAP Revenue in the range of $60.5 - $62.5 million
- Non-GAAP Net Income per share in the range of $0.19 - $0.21

"We are confident in our ability to deliver a meaningful sequential increase in profitability during the third quarter, driven in part by the continued operational efficiencies from building and operating an extremely efficient cloud platform," said Anthony Folger, CFO of Carbonite. "As a result, we are reiterating our previously issued third quarter 2017 business outlook."

"Today we are outlining our long-term financial model, which showcases the opportunity for a significant expansion in profitability and free cash flow generation, with a continued balance of organic and inorganic revenue growth," continued Folger.

Financial Analyst and Investor Day to be Webcast at 1:00p.m. ET

The Company will webcast its Inaugural Financial Analyst and Investor Day presentations from approximately 1:00 p.m. to 5:00 p.m. ET. The live audio webcast and presentation slides can be accessed in the "Investors" section of Carbonite's website. The webcast will also be archived for future access.

Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, including non-GAAP revenue and non-GAAP net income per share.

The Company believes that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to the Company's financial condition and ordinary results of operations. The Company's management uses these non-GAAP measures to compare the Company's performance to that of prior periods and uses these measures in financial reports prepared for management and the Company's board of directors. The Company believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with other software-as-a-service companies, many of which present similar non-GAAP financial measures to investors.

The Company does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant items that are required by GAAP to be recorded in the Company's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management.

The Company has not reconciled these non-GAAP measures in this press release because we do not provide guidance for stock-based compensation expense, litigation-related expense, acquisition-related expense, amortization expense on intangible assets, non-cash convertible debt interest expense, and the income tax effect of non-GAAP adjustments as we are unable to quantify certain of these amounts that would be required to be included in the GAAP measure without unreasonable efforts. In addition, the Company believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

Cautionary Language Concerning Forward-Looking Statements

Certain matters discussed in this press release, including "Third Quarter 2017 Business Outlook," have "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements will include words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such statements include, but are not limited to, statements regarding guidance on our future financial results and other projections or measures of future performance. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control. The Company's actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including, but not limited to, the Company's ability to profitably attract new customers and retain existing customers, the Company's dependence on the market for cloud backup services, the Company's ability to manage growth, and changes in economic or regulatory conditions or other trends affecting the Internet and the information technology industry. These and other important risk factors are discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission (the "SEC"), which is available on www.sec.gov, and elsewhere in any subsequent periodic or current reports filed by us with the SEC. Except as required by applicable law, we do not undertake any obligation to update our forward-looking statements to reflect future events, new information or circumstances.

About Carbonite

Carbonite provides data protection solutions for businesses and the IT professionals who serve them. Our solution suite provides a full complement of backup, disaster recovery, high availability and migration solutions for any size business in locations around the world, all supported by secure and scalable global cloud infrastructure. To learn more visit www.Carbonite.com.

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Carbonite Inaugural Financial Analyst and Investor Day

September 19, 2017

*The following are selected investor presentation slides. For the full set of presentation slides as well as the accompanying audio webcast, please see the "Investors" section of Carbonite's website.

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Safe harbor and disclosures

Certain matters discussed in these slides and accompanying oral presentation have "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements will include words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control. The Company's actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including, but not limited to, economic conditions and markets (including current financial conditions), exchange rate fluctuations, risks associated with debt prepayment, stock repurchases or acquisitions in lieu of retaining such cash for future needs, and changes in regulatory conditions or other trends affecting the Internet and the information technology industry. These and other important risk factors are discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission (the "SEC"), which is available on www.sec.gov, and elsewhere in any subsequent periodic or current reports filed by us with the SEC. Except as required by applicable law, we do not undertake any obligation to update our forward-looking statements to reflect future events, new information or circumstances.

This presentation contains non-GAAP financial measures including, but not limited to, Bookings, non-GAAP Revenue, non-GAAP Gross Margin, non-GAAP Net Income and non-GAAP Net Income Per Share, and Adjusted Free Cash Flow. A reconciliation to GAAP can be found in the financial schedules included in our most recent earnings press release located on Carbonite's website, http://investor.carbonite.com, in Carbonite's filings or with the SEC at www.sec.gov. The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

This presentation utilizes certain trademarks and service marks for reference purposes. All such trademarks and service marks are and remain the property of their respective owners.

Any unreleased services or features referenced in this presentation are not currently available and may not be delivered or released on time or at all. Customers should make their purchase decisions based upon features that are currently available.

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Longer-term bookings growth scenarios

	Moderate Growth	**Accelerated Growth**
Consumer Bookings	*-10% - flat*	*-5% to 5%*
Business Subscription	12% - 18%	18% - 24%
Business non-Subscription	flat – 5%	flat – 5%
Business Bookings	*10% - 15%*	*15% - 20%*
Total Bookings	***6% - 12%***	***11% - 17%***

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Longer-term financial goals

Opportunity to drive meaningful operating margin expansion

	2014	2015	2016	Q2 '17 YTD	LT Range	
Bookings Growth	11%	12%	45%	19%	6-12%	11-17%
Revenue Growth	14%	11%	53%	17%	6-12%	11-17%
Gross margin	69%	73%	73%	74%	80-83%	80-84%
Research & development	19%	19%	15%	17%	14-16%	13-16%
General & administrative	11%	12%	14%	13%	9-11%	8-10%
Sales & marketing	40%	38%	34%	37%	31-34%	31-34%
Operating Margin	1%	3%	9%	6%	22%-26%	23-27%

*Longer-term financial goals exclude the impact of purchase accounting adjustments for significant acquisitions, amortization expense on intangible assets, stock-based compensation expense, litigation-related expense, restructuring-related expense, acquisition-related expense, non-cash convertible debt interest expense, and the income tax effect of non-GAAP adjustments.

Definitions of Non-GAAP measures

Bookings: Bookings represent the aggregate dollar value of customer subscriptions and software arrangements, which may include multiple revenue elements, such as software licenses, hardware, professional services and post-contractual support, received during a period and are calculated as revenue recognized during a particular period plus the change in total deferred revenue, excluding deferred revenue recorded in connection with acquisitions and divestitures, net of foreign exchange during the same period.

Non-GAAP revenue: Excludes the impact of purchase accounting adjustments in connection with acquisitions.

Non-GAAP gross margin: Excludes the impact of purchase accounting adjustments for significant acquisitions, amortization expense on intangible assets, stock-based compensation expense, and acquisition-related expense.

Non-GAAP net income (loss) and non-GAAP net income (loss) per share: Non-GAAP net income and non-GAAP net income per share excludes the impact of purchase accounting adjustments for significant acquisitions, amortization expense on intangible assets, stock-based compensation expense, litigation-related expense, lease exit charges, acquisition-related expense, non-cash convertible debt interest expense, and the income tax effect of non-GAAP adjustments.

Adjusted free cash flow: Adjusted free cash flow is calculated by subtracting the cash paid for the purchase of property and equipment and adding the payments related to acquisition-related payments, litigation-related payments, and the cash portion of the lease exit charge from net cash provided by operating activities.

Non-GAAP operating income: Non-GAAP operating income excludes the impact of purchase accounting adjustments for significant acquisitions, amortization expense on intangible assets, stock-based compensation expense, litigation-related expense, restructuring-related expense, hostile takeover-related, CEO transition expense, and acquisition-related expense.

Non-GAAP operating margin: Non-GAAP operating margin is calculated by dividing non-GAAP operating income by non-GAAP revenue.

Adjusted EBITDA: Adjusted EBITDA is calculated by excluding depreciation expense from non-GAAP operating income.

Non-GAAP reconciliations

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Reconciliation of GAAP Revenue to Non-GAAP Revenue

	Six Months Ended June 30, 2017	Three Months Ended June 30, 2017	Twelve Months Ended December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2012
GAAP revenue	$ 116,133	$ 59,034	$ 206,986	$ 136,616	$ 122,620	$ 84,043
Add:						
Fair value adjustment of acquired deferred revenue (1)	4,033	2,045	2,314	-	-	-
Non-GAAP revenue	$ 120,166	$ 61,079	$ 209,300	$ 136,616	$ 122,620	$ 84,043

(1) Excludes the impact of purchase accounting adjustments for significant acquisitions.

Reconciliation of GAAP Gross Profit to Non-GAAP Gross Profit

	Six Months Ended June 30, 2017	Three Months Ended June 30, 2017	Twelve Months Ended December 31, 2016	2015	2014	2012
Gross profit	$ 80,467	$ 40,723	$ 146,049	$ 97,832	$ 84,053	$ 54,983
Gross margin	69.3%	69.0%	70.6%	71.6%	68.5%	65.4%
Add:						
Fair value adjustment of acquired deferred revenue	4,033	2,045	2,314		-	-
Amortization of intangibles	3,750	2,124	2,632	1,281	438	211
Stock-based compensation expense	500	269	806	730	539	440
Acquisition-related expense	133	115	251	8	-	-
Non-GAAP gross profit	$ 88,883	$ 45,276	$ 152,052	$ 99,851	$ 85,030	$ 55,634
Non-GAAP gross margin	74.0%	74.1%	72.6%	73.1%	69.3%	66.2%

Calculation of Free Cash Flow and Adjusted Free Cash Flow

	Six Months Ended June 30, 2017	Twelve Months Ended December 31, 2012
Net cash provided by operating activities	$ 10,568	$ 9,195
Subtract:		
Purchases of property and equipment	10,039	13,417
Free cash flow	529	(4,222)
Add:		
Acquisition-related payments	3,889	-
Cash portion of lease exit charge	-	157
Litigation-related payments	69	-
Adjusted free cash flow	$ 4,487	$ (4,065)

Non-GAAP reconciliations

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Reconciliation of GAAP Operating Expense to Non-GAAP Operating Expense

	Six Months Ended June 30, 2017	Three Months Ended June 30, 2017	Twelve Months Ended, December 31, 2016	2015	2014	2012
Research and development	$ 21,254	$ 10,927	$ 33,298	$ 28,085	$ 24,132	$ 19,925
Less:						
Stock-based compensation expense	714	405	869	1,171	1,285	1,199
Acquisition-related expense	134	65	349	340	-	-
Non-GAAP research and development	20,406	$ 10,457	$ 32,080	$ 26,574	$ 22,847	$ 18,726
% of gross Non-GAAP revenue	*17%*	*17%*	*15%*	*19%*	*19%*	*22%*
General and administrative	$ 23,946	$ 11,076	$ 41,332	$ 37,265	$ 17,862	$ 9,928
Less:						
Amortization of intangibles	223	122	262	200	157	43
Stock-based compensation expense	3,940	1,983	6,160	7,226	3,216	1,579
Litigation-related expense	144	89	1	6,407	42	1,618
Acquisition-related expense	3,809	908	4,748	5,222	422	-
Hostile takeover-related expense	-	-	-	1,657	411	-
CEO transition expense	-	-	-	54	683	-
Non-GAAP general and administrative	$ 15,830	$ 7,974	$ 30,161	$ 16,499	$ 12,931	$ 6,688
% of gross Non-GAAP revenue	*13%*	*13%*	*14%*	*12%*	*11%*	*8%*
Sales and marketing	$ 46,793	$ 23,373	$ 73,347	$ 53,671	$ 49,882	$ 42,719
Less:						
Amortization of intangibles	759	410	976	524	295	60
Stock-based compensation expense	811	531	1,065	1,089	1,025	913
Litigation-related expense	-	-	-	2	-	-
Acquisition-related expense	202	167	116	55	-	-
Non-GAAP sales and marketing	$ 45,021	$ 22,265	$ 71,190	$ 52,001	$ 48,562	$ 41,746
% of gross Non-GAAP revenue	*37%*	*36%*	*34%*	*38%*	*40%*	*50%*
Restructuring charges	$ -	$ -	$ 857	$ 469	$ 762	$ 1,345
Less:						
Restructuring-related expense	-	-	852	334	743	1,174
Non-GAAP Restructuring Charges	$ -	$ -	$ 5	$ 135	$ 19	$ 171
% of gross Non-GAAP revenue	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Total Non-GAAP Operating Expense	$ 81,257	$ 40,696	$ 133,436	$ 95,209	$ 84,359	$ 67,331
% of gross Non-GAAP revenue	*68%*	*67%*	*64%*	*70%*	*69%*	*80%*

Non-GAAP reconciliations

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Reconciliation of GAAP Operating Margin to Non-GAAP Operating Margin

	Six Months Ended June 30, 2017		Twelve Months Ended, December 31, 2016	2015	2014
Operating (loss)	$ (11,526)		$ (2,785)	$ (21,658)	$ (8,585)
GAAP revenue	$ 116,133		$ 206,986	$ 136,616	$ 122,620
Operating margin	-10%		-1%	-16%	-7%
Less:					
Amortization of intangibles	$ 4,732		$ 3,870	$ 2,005	$ 890
Stock-based compensation expense	5,965		8,900	10,216	6,065
Litigation-related expense	144		1	6,409	42
Acquisition-related expense	4,278		5,464	5,625	422
Hostile takeover-related expense	-		-	1,657	411
CEO transition expense	-		-	54	683
Fair value adjustment of acquired deferred revenue	4,033		2,314	-	-
Restructuring expense	-		852	334	743
Non-GAAP operating income	$ 7,626		$ 18,616	$ 4,642	$ 671
Non-GAAP revenue	$ 120,166		$ 209,300	$ 136,616	$ 122,620
Non-GAAP operating margin	6%		9%	3%	1%

Calculation of Adjusted EBITDA

	Six Months Ended June 30, 2017	Twelve Months Ended December 31, 2012
Non-GAAP operating income (loss)	$ 7,626	$ (11,697)
Less:		
Depreciation expense	5,660	10,500
Adjusted EBITDA	$ 13,286	$ (1,197)

Non-GAAP reconciliations

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Calculation of Bookings

	Three Months Ended, June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Revenue	$ 59,034	$ 57,099	$ 53,488	$ 51,948
Add :				
Deferred revenue ending balance	126,980	121,867	107,591	107,445
Deferred revenue divested	373	-	-	-
Impact of foreign exchange	-	-	404	-
Less :				
Impact of foreign exchange	620	153	-	106
Beginning total deferred revenue from acquisitions	-	9,100	-	-
Deferred revenue beginning balance	121,867	107,591	107,445	110,049
Change in deferred revenue balance	4,866	5,023	550	(2,710)
Bookings	$ 63,900	$ 62,122	$ 54,038	$ 49,238

Calculation of Bookings

	Twelve Months Ended, December 31, 2016	2015	2014
Revenue	$ 206,986	$ 136,616	$ 122,620
Add :			
Deferred revenue ending balance	107,591	98,703	91,424
Impact of foreign exchange	240	211	-
Less :			
Beginning total deferred revenue from acquisitions	6,830	-	1,861
Deferred revenue beginning balance	98,703	91,424	84,000
Change in deferred revenue balance	2,298	7,490	5,563
Bookings	$ 209,284	$ 144,106	$ 128,183

Non-GAAP reconciliations

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Calculation of Non-GAAP Net Income and Non-GAAP Net Income per Share

		Six Months Ended June 30, 2017		Twelve Months Ended December 31, 2012
Net Income (loss)	$	1,215	$	(18,936)
Add:				
Fair value adjustment of acquired deferred revenue		4,033		-
Amortization of intangibles		4,732		314
Stock-based compensation expense		5,965		4,131
Litigation-related expense		144		1,618
Acquisition-related expense		4,278		-
Non-cash convertible debt interest expense		1,466		-
Lease exit charge		-		1,174
Less:				
Income tax-effect of non-GAAP adjustments		15,051		-
Non-GAAP net income (loss)	$	6,782	$	(11,699)
GAAP net (loss) income per share:				
Basic	$	0.04	$	(0.74)
Assuming Dilution	$	0.04	$	(0.74)
Non-GAAP net income (loss) per share:				
Basic	$	0.25	$	(0.46)
Assuming Dilution	$	0.23	$	(0.46)
GAAP weighted-average shares outstanding:				
Basic		27,672,804		25,503,068
Assuming Dilution		28,354,616		25,503,068
Non-GAAP weighted-average shares outstanding:				
Basic		27,672,804		25,503,068
Assuming Dilution		28,991,968		25,503,068