COMSCORE, INC. Form 10-Q November 09, 2018 Table of Contents

#### UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10.0

FORM 10-Q

(Mark One)

 $\mathsf{p}_{1934}^{\text{QUARTERLY}}$  REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF

For the quarterly period ended September 30, 2018

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: 001-33520

comScore, Inc.

(Exact name of registrant as specified in its charter)

Delaware 54-1955550

(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification Number)

11950 Democracy Drive, Suite 600

Reston, Virginia 20190

(Address of Principal Executive Offices)

(703) 438-2000

(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  $\flat$  No "Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes  $\flat$  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 b Accelerated filer

Non-accelerated filer o 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 13(a) of the Exchange 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  $\mathfrak b$ 

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of November 6, 2018, there were 58,906,715 shares of the registrant's common stock outstanding.

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#### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "10-Q"), including the information contained in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report, and the information incorporated by reference in this 10-Q, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are all statements other than statements of historical fact. We attempt, whenever possible, to identify these forward-looking statements by words such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential," "continue," "so of those words and other comparable words. Similarly, statements that describe our business strategy, goals, prospects, opportunities, outlook, objectives, plans or intentions are also forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, macroeconomic trends that we expect may influence our business, plans for financing and capital expenditures, expectations regarding liquidity and compliance with financing covenants, expectations regarding the introduction of new products, effects of restructuring actions, regulatory compliance and expected changes in the regulatory landscape affecting our business, planned remediation activities, expected impact of litigation, plans for growth and future operations, effects of acquisitions, divestitures and partnerships, as well as assumptions relating to the foregoing.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. These statements are based on current expectations and assumptions regarding future events and business performance and involve known and unknown risks, uncertainties and other factors that may cause actual events or results to be materially different from any future events or results expressed or implied by these statements. These factors include those set forth in the following discussion and elsewhere within this report.

We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this 10-Q. You should carefully review the risk factors described in other documents that we file from time to time with the U.S. Securities and Exchange Commission, or "SEC". Except as required by applicable law, including the rules and regulations of the SEC, we do not plan to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise, other than through the filing of periodic reports in accordance with the Securities Exchange Act of 1934, as amended. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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PART I. FINANCIAL INFORMATION

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# ITEM 1.FINANCIAL STATEMENTS

COMSCORE, INC.

#### CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

Assets	As of September 30 2018 (Unaudited)	As of December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 47,876	\$37,859
Restricted cash	6,338	7,266
Accounts receivable, net of allowances of \$1,073 and \$1,991, respectively (\$2,759 and	61,900	82,029
\$2,899 of accounts receivable attributable to related parties, respectively)		02,027
Prepaid expenses and other current assets	20,254	15,168
Insurance recoverable on litigation settlements		37,232
Total current assets	136,368	179,554
Property and equipment, net	27,315	28,893
Other non-current assets	9,572	7,259
Deferred tax assets	3,591	4,532
Intangible assets, net	135,110	159,777
Goodwill	641,594	642,424
Total assets	\$ 953,550	\$1,022,439
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable (\$1,467 and \$2,715 attributable to related parties, respectively)	\$ 19,716	\$27,889
Accrued expenses (\$5,089 and \$5,857 attributable to related parties, respectively)	48,352	86,031
Accrued litigation settlements	4,375	27,718
Other current liabilities	8,029	10,485
Customer advances (\$2,188 and \$2,755 attributable to related parties, respectively)	72,119	98,367
Total current liabilities	152,591	250,490
Financing derivatives (related party)	21,800	_
Senior secured convertible notes (related party)	175,850	_
Deferred tax liabilities	6,033	3,641
Accrued litigation settlements	875	90,800
Other non-current liabilities	27,859	21,016
Total liabilities	385,008	365,947
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value per share; 5,000,000 shares authorized at September 30	),	
2018 and December 31, 2017; no shares issued or outstanding as of September 30, 2018		_
and December 31, 2017		
Common stock, \$0.001 par value per share; 150,000,000 shares authorized as of		
September 30, 2018 and 100,000,000 shares authorized as of December 31, 2017;		
65,664,431 shares issued and 58,899,635 shares outstanding as of September 30, 2018,	59	60
and 60,053,843 shares issued and 57,289,047 shares outstanding as of December 31, 2017		
Additional paid-in capital	1,549,371	1,407,717
According para in cupitar	1,577,571	1,707,717

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Accumulated other comprehensive loss	(9,013	) (6,224	)
Accumulated deficit	(741,891	) (609,091	)
Treasury stock, at cost, 6,764,796 and 2,764,796 shares as of September 30, 2018 and December 31, 2017, respectively	(229,984	) (135,970	)
Total stockholders' equity	568,542	656,492	
Total liabilities and stockholders' equity	\$ 953,550	\$1,022,439	)
See accompanying Notes to Condensed Consolidated Financial Statements.			
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#### COMSCORE, INC.

# CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)

(In thousands, except share and per share data)

(III thousands, except share and per	silaic data	ι)		
	Three Months		Nine Months	
	Ended September		Ended September	
	30,		30,	
	2018	2017	2018	2017
Revenues (1)	\$102,864	1\$100,323	3\$310,172	2\$300,623
Cost of revenues (1) (2) (3)	49,446	48,803	148,226	143,417
Selling and marketing (1) (2) (3)	24,866	29,873	80,418	90,796
Research and development (1)(2)(3)	18,742	21,580	58,347	64,102
General and administrative (1) (2) (3)	18,707	22,331	66,067	53,426
Investigation and audit related (1)	696	21,392	37,446	56,469
Amortization of intangible assets	7,896	8,491	24,706	25,669
Settlement of litigation, net	_	81,799	5,250	82,417
Restructuring	51			