

AVG Technologies N.V.
Form 6-K
August 14, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

August 14, 2012

Commission File Number: 001-35408

AVG TECHNOLOGIES N.V.

Gatwickstraat 9-39

1043 GL Amsterdam

Edgar Filing: AVG Technologies N.V. - Form 6-K

The Netherlands

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Table of Contents

Table of Contents

Item

1. AVG Technologies N.V. Unaudited Condensed Consolidated Interim Financial Statements as of June 30, 2012

Table of Contents

Item 1

INDEX TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	Page
<u>Unaudited Condensed Consolidated Balance Sheets as of December 31, 2011 and June 30, 2012</u>	F-2
<u>Unaudited Condensed Consolidated Interim Statements of Comprehensive Income for the three and six months ended June 30, 2011 and 2012</u>	F-3
<u>Unaudited Condensed Consolidated Interim Statement of Shareholders Deficit for the six months ended June 30, 2012</u>	F-4
<u>Unaudited Condensed Consolidated Interim Statements of Cash Flows for the six months ended June 30, 2011 and 2012</u>	F-5
<u>Notes to Unaudited Condensed Consolidated Interim Financial Statements</u>	F-6

F-1

Table of Contents**AVG TECHNOLOGIES N.V.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of U.S. Dollars)

	December 31, 2011	June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 60,740	\$ 123,725
Trade accounts receivable, net	25,363	29,325
Inventories	883	654
Deferred income taxes	18,394	18,394
Prepaid expenses	3,975	5,401
Prepaid share issuance cost	6,820	
Other current assets	6,363	7,759
Total current assets	122,538	185,258
Property and equipment, net	12,436	11,888
Deferred income taxes	59,750	58,571
Intangible assets, net	35,035	38,538
Goodwill	71,367	71,633
Investment in equity affiliate	511	402
Investments	9,750	9,750
Other assets	248	1,482
Total assets	\$ 311,635	\$ 377,522
LIABILITIES, PREFERRED SHARES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 11,035	\$ 13,497
Accrued compensation and benefits	15,941	19,156
Accrued expenses and other current liabilities	30,878	33,366
Current portion of long-term debt	41,125	23,500
Income taxes payable	4,161	5,184
Deferred revenue	120,269	125,845
Total current liabilities	223,409	220,548
Long-term debt, less current portion	184,315	173,898
Deferred revenue, less current portion	30,839	30,937
Other non-current liabilities	3,397	4,169
Total liabilities	441,960	429,552
Commitments and contingencies (Note 11)		
Class D preferred shares	191,954	
Shareholders deficit:		
Ordinary shares	476	722
Additional paid-in capital (Distributions in excess of capital)	(388,225)	(138,092)
Accumulated other comprehensive loss	(6,324)	(5,852)
Retained earnings	71,794	91,192

Edgar Filing: AVG Technologies N.V. - Form 6-K

Total shareholders deficit		(322,279)	(52,030)
Total liabilities, preferred shares and shareholders deficit	\$	311,635	\$ 377,522

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

F-2

Table of Contents

AVG TECHNOLOGIES N.V.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of U.S. Dollars except for share data and per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012
Revenue:				
Subscription	\$ 43,049	\$ 47,354	\$ 86,129	\$ 93,984
Platform-derived	23,100	35,169	40,794	71,524
Total revenue	66,149	82,523	126,923	165,508
Cost of revenue:				
Subscription	5,622	6,612	11,455	13,803
Platform-derived	1,784	7,292	3,165	10,666
Total cost of revenue	7,406	13,904	14,620	24,469
Gross profit	58,743	68,619	112,303	141,039
Operating expenses:				
Sales and marketing	18,159	20,396	34,714	41,412
Research and development	8,184	13,129	15,643	27,148
General and administrative	11,047	15,465	17,652	31,804
Total operating expenses	37,390	48,990	68,009	100,364
Operating income	21,353	19,629	44,294	40,675
Other income (expense):				
Interest income	16	27	19	65
Interest and finance costs	(5,122)	(4,623)	(6,108)	(9,928)
Other, net	354	(572)	(654)	(1,486)
Other expense, net	(4,752)	(5,168)	(6,743)	(11,349)
Income before income taxes and loss from investment in equity affiliate				
	16,601	14,461	37,551	29,326
Benefit (provision) for income taxes	58,496	(3,346)	55,585	(7,264)
Loss from investment in equity affiliate	(57)	(69)	(119)	(109)
Net income	\$ 75,040	\$ 11,046	\$ 93,017	\$ 21,953
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	\$ (524)	\$ (602)	\$ (668)	\$ 472
Other comprehensive income (loss)	(524)	(602)	(668)	472
Comprehensive income	\$ 74,516	\$ 10,444	\$ 92,349	\$ 22,425
Net income	\$ 75,040	\$ 11,046	\$ 93,017	\$ 21,953

Edgar Filing: AVG Technologies N.V. - Form 6-K

Preferred share dividends		(1,802)		(3,604)	(753)
Distributed and undistributed earnings to participating securities		(22,251)		(26,299)	
Net income available to ordinary shareholders	basic	\$ 50,987	\$ 11,046	\$ 63,114	\$ 21,200
Net income available to ordinary shareholders	basic	\$ 50,987	\$ 11,046	\$ 63,114	\$ 21,200
Net income available to ordinary shareholders	diluted	\$ 50,987	\$ 11,046	\$ 63,114	\$ 21,953
Earnings per ordinary share	basic	\$ 1.42	\$ 0.20	\$ 1.75	\$ 0.42
Earnings per ordinary share	diluted	\$ 1.31	\$ 0.20	\$ 1.63	\$ 0.41
Weighted-average shares outstanding	basic	36,000,000	54,385,471	36,000,000	50,646,911
Weighted-average shares outstanding	diluted	38,850,322	54,790,096	38,687,813	53,978,362
Cash dividends declared per ordinary share		\$	\$	\$ 4.53	\$
Cash dividends declared per preferred share		\$ 0.15	\$	\$ 4.83	\$ 0.21

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

F-3

Table of Contents

AVG TECHNOLOGIES N.V.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF SHAREHOLDERS DEFICIT

(Expressed in thousands of U.S. Dollars except for share data)

	Class D Preferred Shares		Class A		Ordinary Shares		Class B2		Class E	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balances, January 1, 2012	12,000,000	\$ 191,954	16,200,000	\$ 212	9,316,224	\$ 125	3,283,776	\$ 44	7,200,000	\$ 95
Net income										
Other comprehensive income:										
Foreign currency translation gain										
Other comprehensive income										
Conversion of preferred shares and Class A, B1, B2 and E shares to ordinary shares	(12,000,000)	(191,954)	(16,200,000)	(212)	(9,316,224)	(125)	(3,283,776)	(44)	(7,200,000)	(95)
Share proceeds										
Share issuance costs (net of income tax benefit of \$966)										
Exercise of share options										
Cash dividends declared and paid on preferred shares										
Share-based compensation, net of repurchases and liability awards										
Balances, June 30, 2012		\$		\$		\$		\$		\$

Ordinary Shares	Additional Paid- in Capital	Accumulated Other Comprehensive	Retained	Total Shareholders
-----------------	--------------------------------	------------------------------------	----------	-----------------------

Edgar Filing: AVG Technologies N.V. - Form 6-K

	(Distributions in					
	Shares	Amount	Excess of Capital)	Income (Loss)	Earnings	Deficit
Balances, January 1, 2012		\$	\$ (388,225)	\$ (6,324)	\$ 71,794	\$ (322,279)
Net income					21,953	21,953
Other comprehensive income:						
Foreign currency translation gain				472		472
Other comprehensive income				472		472
Conversion of preferred shares and Class A, B1, B2 and E shares to ordinary shares	48,000,000	639	191,791			191,954
Share proceeds	4,000,000	52	63,948			64,000
Share issuance costs (net of income tax benefit of \$966)			(11,777)			(11,777)
Exercise of share options	2,385,951	31	990			1,021
Cash dividends declared and paid on preferred shares					(2,555)	(2,555)
Share-based compensation, net of repurchases and liability awards			5,181			5,181
Balances, June 30, 2012	54,385,951	\$ 722	\$ (138,092)	\$ (5,852)	\$ 91,192	\$ (52,030)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Table of Contents**AVG TECHNOLOGIES N.V.****UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Expressed in thousands of U.S. Dollars)

	Six Months Ended June 30,	
	2011	2012
OPERATING ACTIVITIES:		
Net income	\$ 93,017	\$ 21,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,021	8,373
Share-based compensation	1,823	8,026
Deferred income taxes	(56,542)	1,365
Change in the fair value of contingent consideration liabilities	175	268
Amortization of financing costs and loan discount	743	1,333
Dividend income		(339)
Loss from investment in equity affiliate	119	109
Loss (gain) on sale of property and equipment	171	(41)
Net change in assets and liabilities, excluding effects of acquisitions:		
Trade accounts receivable, net	3,603	(3,284)
Inventories	11	229
Accounts payable and accrued liabilities	(653)	6,512
Accrued compensation and benefits	(620)	2,471
Deferred revenue	8,416	6,268
Income taxes payable	872	1,047
Other assets	(1,981)	(1,211)
Other liabilities	(1,228)	(238)
Net cash provided by operating activities	52,947	52,841
INVESTING ACTIVITIES:		
Purchase of property and equipment and intangible assets	(3,911)	(8,692)
Proceeds from sale of property and equipment	102	74
Dividends received		339
Cash payments for acquisitions, net of cash acquired	(7,036)	(3,947)
Net cash used in investing activities	(10,845)	(12,226)
FINANCING ACTIVITIES:		
Payment of contingent consideration	(2,784)	
Payment of deferred purchase consideration		(1,900)
Proceeds from long-term debt, net of discount	230,285	
Debt issuance costs	(6,506)	
Proceeds from issuance of ordinary shares		64,000
Share issuance costs		(8,040)
Proceeds from exercise of share options		347
Repayment of principal on long-term borrowings	(1,125)	(29,375)
Decrease (increase) in restricted cash	1,333	(561)
Dividends paid	(226,289)	(2,555)
Repurchases of share options from employees		(908)
Net cash provided by financing activities	(5,086)	21,008
Effect of exchange rate fluctuations on cash and cash equivalents	1,842	1,362
Change in cash and cash equivalents	38,858	62,985

Edgar Filing: AVG Technologies N.V. - Form 6-K

Beginning cash and cash equivalents	63,146	60,740
Ending cash and cash equivalents	\$ 102,004	\$ 123,725
Supplemental cash flow disclosures:		
Income taxes paid	\$ 539	\$ 2,588
Interest paid	\$ 4,510	