

# MAGICJACK VOCALTEC LTD

## FORM 10-K (Annual Report)

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Telephone	561-771-2255
CIK	0001005699
Symbol	CALL
SIC Code	4813 - Telephone Communications, Except Radiotelephone
Industry	Communications & Networking
Sector	Technology
Fiscal Year	12/31

**ITEM 6. SELECTED FINANCIAL DATA**

The Company's consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP") and are presented in U.S. dollars. Information as of December 31, 2016, 2015, 2014, 2013 and 2012 and for each of the years then ended is derived from the Company's audited consolidated financial statements.

The information presented below (in thousands, except earnings per share) is qualified by the more detailed consolidated financial statements set forth elsewhere in this report, and should be read in conjunction with the consolidated financial statements and notes thereto, and with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,				
	2016	2015	2014	2013	2012
<b>Statement of Operations:</b>					
Net revenues	\$ 97,398	\$ 100,962	\$ 116,322	\$ 143,492	\$ 158,362
Cost of revenues (1)	36,734	34,142	42,541	49,094	61,325
Gross profit	60,664	66,820	73,781	94,398	97,037
Operating expenses (1)	46,909	41,477	60,217	46,952	53,472
Operating income	13,755	25,343	13,564	47,446	43,565
Interest expense	-	(57)	(192)	(307)	(411)
Other income (expense), net (2)	20	26	158	9	3,736
Income before income taxes	13,775	25,312	13,530	47,148	46,890
(Benefit) provision for income taxes	8,719	11,802	9,745	(23,163)	(8,961)
Net income	5,056	13,510	3,785	70,311	55,851
Net loss attributable to noncontrolling interest	635	-	-	-	-
Net income attributable to magicJack VocalTec Ltd. common shareholders	<u>\$ 5,691</u>	<u>\$ 13,510</u>	<u>\$ 3,785</u>	<u>\$ 70,311</u>	<u>\$ 55,851</u>
<b>Income per share attributable to magicJack VocalTec Ltd. common shareholders</b>					
Basic (3)	<u>\$ 0.36</u>	<u>\$ 0.80</u>	<u>\$ 0.21</u>	<u>\$ 3.81</u>	<u>\$ 2.80</u>
Diluted (3)	<u>\$ 0.35</u>	<u>\$ 0.79</u>	<u>\$ 0.21</u>	<u>\$ 3.81</u>	<u>\$ 2.73</u>
<b>Weighted average ordinary shares outstanding</b>					
Basic	<u>15,815</u>	<u>16,975</u>	<u>17,831</u>	<u>18,468</u>	<u>19,916</u>
Diluted	<u>16,064</u>	<u>17,045</u>	<u>17,868</u>	<u>18,476</u>	<u>19,985</u>
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 52,394	\$ 78,956	\$ 76,312	\$ 54,779	\$ 38,349
Total assets	\$ 174,517	\$ 168,836	\$ 194,233	\$ 171,894	\$ 120,767
Property and equipment, net	\$ 3,805	\$ 3,302	\$ 3,564	\$ 1,959	\$ 2,348
Goodwill and other identified intangibles, net	\$ 47,185	\$ 38,991	\$ 41,777	\$ 47,960	\$ 48,440
Other non-current liabilities (4)	\$ 10,866	\$ 11,098	\$ 13,438	\$ 6,487	\$ 3,114
Total capital (deficit) equity	\$ 58,200	\$ 47,668	\$ 49,086	\$ 37,442	\$ (24,770)
Total ordinary shares outstanding, net of treasury shares	16,051	15,610	17,868	17,827	18,709
<b>Other Data:</b>					
Depreciation of property and equipment	\$ 1,191	\$ 799	\$ 619	\$ 565	\$ 538
Amortization of intangible assets	\$ 3,542	\$ 2,786	\$ 4,168	\$ 4,293	\$ 2,764
Impairment of intangible assets (5)	\$ 998	\$ -	\$ 2,500	\$ -	\$ -

(1) Cost of revenues for the years ended December 31, 2016, 2015 and 2014 included a bonus to employees and outside consultants for services rendered in those years of \$0.3 million, \$0.3 million and \$0.1 million, respectively. There were no bonus amounts allocated to cost of revenues in 2013 and 2012. Operating expenses for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 included a bonus to employees and outside consultants for services rendered in those years of \$1.6 million, \$1.7 million, \$0.3 million, \$1.4 million and \$4.0 million, respectively.

(2) Other income (expense), net includes gains (losses) on investments, interest and dividend income, fair value gain (loss) on common equity put options and investment advisory fees. Other income for the years ended December 31, 2016, 2015 and 2014 was not significant. Other income in 2013 was primarily related to \$0.3 million in interest and dividend income and \$0.7 million in gains on investments, offset by \$1.0 million in fair value loss on common equity put options. Other income in 2012 was primarily related to \$3.7 million in fair value gain on common equity put options and \$0.8 million in interest and dividend income, partially offset by \$0.7 million in losses on investments.

(3) Refer to Note 14, "Income per Share," in the Notes to our Consolidated Financial Statements included in Item 8 herein for further details.

(4) As of December 31, 2016, 2015, 2014, 2013 and 2012, this item represents (a) the non-current portion of outstanding indebtedness in connection with an agreement entered during June 2011 for the purchase of certain intangible assets (b) deferred income tax liabilities, non-current, and (c) \$10.4 million, \$10.8 million and \$12.0 million, provision for uncertain tax position recorded in 2016, 2015 and 2014, respectively. Refer to Note 9, "Other Liabilities," and Note