
**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): July 25, 2019

VERISIGN, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

000-23593
(Commission
File Number)

94-3221585
(IRS Employer
Identification No.)

12061 Bluemont Way, Reston, VA
(Address of Principal Executive Offices)

20190
(Zip Code)

(703) 948-3200
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

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 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---|--------------------------|--|
| Common Stock, \$0.001 Par Value Per Share | VRSN | Nasdaq Global Select Market |

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

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 2.02. Results of Operations and Financial Condition.

On July 25, 2019, VeriSign, Inc. issued a press release reporting its financial results for the fiscal quarter ended June 30, 2019. A copy of this press release is attached hereto as Exhibit 99.1.

The information in this Item 2.02 of Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

| <u>Exhibit Number</u> | <u>Description</u> |
|------------------------------|---|
| 99.1 | <u>Text of press release of VeriSign, Inc. issued on July 25, 2019.</u> |

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.

VERISIGN, INC.

Date: July 25, 2019

By: /s/ Thomas C. Indelicarto

Thomas C. Indelicarto

Executive Vice President, General Counsel and Secretary

Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| Exhibit 99.1 | <u>Text of press release of VeriSign, Inc. issued on July 25, 2019.</u> |



VERISIGN

Verisign Reports Second Quarter 2019 Results

RESTON, VA - July 25, 2019 - VeriSign, Inc. (NASDAQ: VRSN), a global provider of domain name registry services and internet infrastructure, today reported financial results for the second quarter of 2019.

Second Quarter GAAP Financial Results

VeriSign, Inc. and its subsidiaries (“Verisign”) reported revenue of \$306 million for the second quarter of 2019, up 1.3 percent from the same quarter in 2018. Verisign reported net income of \$148 million and diluted earnings per share (diluted “EPS”) of \$1.24 for the second quarter of 2019, compared to net income of \$128 million and diluted EPS of \$1.04 for the same quarter in 2018. The operating margin was 65.9 percent for the second quarter of 2019 compared to 63.8 percent for the same quarter in 2018.

Second Quarter Non-GAAP Financial Results

Verisign reported, on a non-GAAP basis, net income of \$159 million and diluted EPS of \$1.33 for the second quarter of 2019, compared to net income of \$145 million and diluted EPS of \$1.18 for the same quarter in 2018. The non-GAAP operating margin was 70.1 percent for the second quarter of 2019 compared to 68.2 percent for the same quarter in 2018. A table reconciling the GAAP to the non-GAAP results (which excludes the items described under “Non-GAAP Financial Measures and Adjusted EBITDA” below) is appended to this news release.

“Our results demonstrate another solid quarter of focused execution,” said Jim Bidzos, Executive Chairman, President and Chief Executive Officer.

Financial Highlights

- Verisign ended the second quarter of 2019 with cash, cash equivalents and marketable securities of \$1.22 billion, a decrease of \$45 million from the end of 2018.
- Cash flow from operating activities was \$165 million for the second quarter of 2019, compared to \$202 million for the same quarter in 2018.
- Deferred revenues as of June 30, 2019 totaled \$1.05 billion, an increase of \$32 million from the end of 2018.
- During the second quarter of 2019, Verisign repurchased 0.9 million shares of its common stock for an aggregate cost of \$175 million. As of June 30, 2019, there was \$716 million remaining for future share repurchases under the share repurchase program which has no expiration date.

Business Highlights

- Verisign ended the second quarter of 2019 with 156.1 million .com and .net domain name registrations in the domain name base, a 4.3 percent increase from the end of the second quarter of 2018, and a net increase of 1.34 million during the second quarter of 2019.
- During the second quarter of 2019, Verisign processed 10.3 million new domain name registrations for .com and .net, compared to 9.6 million for the same quarter in 2018.
- The final .com and .net renewal rate for the first quarter of 2019 was 75.0 percent compared with 75.3 percent for the same quarter in 2018. Renewal rates are not fully measurable until 45 days after the end of the quarter.

Non-GAAP Financial Measures and Adjusted EBITDA

Verisign provides quarterly and annual financial statements that are prepared in accordance with generally accepted accounting principles (GAAP). Along with this information, management typically discloses and discusses certain non-GAAP financial measures in quarterly earnings news releases, on investor conference calls and during investor conferences and related events. These non-GAAP financial measures do not include the following items that are included in the comparable GAAP financial measures: stock-based compensation, non-cash interest expense through June 30, 2018, and loss on debt extinguishment. Non-GAAP net income is adjusted for an income tax rate of 22 percent which differs from the GAAP income tax rate.

On a quarterly basis, Verisign also provides Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure and is calculated in accordance with the terms of the indentures governing Verisign's senior notes. Adjusted EBITDA refers to net income before interest, taxes, depreciation and amortization, stock-based compensation, unrealized gain / loss on hedging agreements, and gain on the sale of a business.

Management believes that these non-GAAP financial measures supplement the GAAP financial measures by providing investors with additional information that allows them to have a clearer picture of Verisign's operations and financial performance and the comparability of Verisign's operating results from period to period. The presentation of these non-GAAP financial measures is not meant to be considered in isolation nor as a substitute for financial measures prepared in accordance with GAAP.

The tables appended to this release include a reconciliation of the non-GAAP financial measures to the comparable financial measures reported in accordance with GAAP for the given periods.

Today's Conference Call

Verisign will host a live conference call today at 4:30 p.m. (EDT) to review the second quarter 2019 results. The call will be accessible by direct dial at (888) 676-VRSN (U.S.) or (786) 789-4776 (international), conference ID: Verisign. A listen-only live web cast of the conference call and accompanying slide presentation will also be available at <https://investor.Verisign.com>. An audio archive of the call will be available at <https://investor.Verisign.com/events.cfm>. This news release and the financial information discussed on today's conference call are available at <https://investor.Verisign.com>.

About Verisign

Verisign, a global provider of domain name registry services and internet infrastructure, enables internet navigation for many of the world's most recognized domain names. Verisign enables the security, stability and resiliency of key internet infrastructure and services, including providing root zone maintainer services, operating two of the 13 global internet root servers, and providing registration services and authoritative resolution for the .com and .net top-level domains, which support the majority of global e-commerce. To learn more about what it means to be Powered by Verisign, please visit [Verisign.com](https://www.verisign.com).

VRSNF

Statements in this announcement other than historical data and information constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. These statements involve risks and uncertainties that could cause our actual results to differ materially from those stated or implied by such forward-looking statements. The potential risks and uncertainties include, among others, risks arising from the agreements governing our Registry Services business; new or existing governmental laws and regulations in the U.S. or other applicable foreign jurisdictions; system interruptions, security breaches, attacks on the internet by hackers, viruses, or intentional acts of vandalism; the uncertainty of the impact of changes to the multi-stakeholder model of internet governance; risks arising from our operation of two root zone servers and our performance of the Root Zone Maintainer functions; changes in internet practices and behavior and the adoption of substitute technologies; the success or failure of the evolution of our markets; the highly competitive business environment in which we operate; whether we can maintain strong relationships with registrars and their resellers to maintain their marketing focus on our products and services; the possibility of system interruptions or failures; challenging global economic conditions; economic, legal and political risk associated with our international operations; our ability to protect and enforce our rights to our intellectual property and ensure that we do not infringe on others' intellectual property; the outcome of legal or other challenges resulting from our activities or the activities of registrars or registrants, or litigation generally; the impact of our new strategic initiatives, including our IDN gTLDs; whether we can retain and motivate our senior management and key employees; and the impact of unfavorable tax rules and regulations. More information about potential factors that could affect our business and financial results is included in our filings with the SEC, including in our Annual Report on Form 10-K for the year ended Dec. 31, 2018, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Verisign undertakes no obligation to update any of the forward-looking statements after the date of this announcement.

Contacts

Investor Relations: David Atchley, datchley@verisign.com, 703-948-4643

Media Relations: Deana Alvy, dalvy@verisign.com, 703-948-3800

©2019 VeriSign, Inc. All rights reserved. VERISIGN, the VERISIGN logo, and other trademarks, service marks, and designs are registered or unregistered trademarks of VeriSign, Inc. and its subsidiaries in the United States and in foreign countries. All other trademarks are property of their respective owners.

VERISIGN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

| | June 30, 2019 | December 31, 2018 |
|--|------------------|----------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 751,580 | \$ 357,415 |
| Marketable securities | 473,362 | 912,254 |
| Other current assets | 70,440 | 47,365 |
| Total current assets | 1,295,382 | 1,317,034 |
| Property and equipment, net | 250,820 | 253,905 |
| Goodwill | 52,527 | 52,527 |
| Deferred tax assets | 109,917 | 104,992 |
| Deposits to acquire intangible assets | 145,000 | 145,000 |
| Other long-term assets | 36,252 | 41,046 |
| Total long-term assets | 594,516 | 597,470 |
| Total assets | \$ 1,889,898 | \$ 1,914,504 |
| <u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 171,215 | \$ 215,208 |
| Deferred revenues | 763,466 | 732,382 |
| Total current liabilities | 934,681 | 947,590 |
| Long-term deferred revenues | 286,143 | 285,720 |
| Senior notes | 1,786,306 | 1,785,047 |
| Long-term tax and other liabilities | 307,935 | 281,621 |
| Total long-term liabilities | 2,380,384 | 2,352,388 |
| Total liabilities | 3,315,065 | 3,299,978 |
| Commitments and contingencies | | |
| Stockholders' deficit: | | |
| Preferred stock—par value \$.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none | — | — |
| Common stock—par value \$.001 per share; Authorized shares: 1,000,000; Issued shares: 352,952 at June 30, 2019 and 352,325 at December 31, 2018; Outstanding shares: 118,548 at June 30, 2019 and 120,037 at December 31, 2018 | 353 | 352 |
| Additional paid-in capital | 15,356,935 | 15,706,774 |
| Accumulated deficit | (16,779,728) | (17,089,789) |
| Accumulated other comprehensive loss | (2,727) | (2,811) |
| Total stockholders' deficit | (1,425,167) | (1,385,474) |
| Total liabilities and stockholders' deficit | \$ 1,889,898 | \$ 1,914,504 |

VERISIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | \$ 306,289 | \$ 302,452 | \$ 612,697 | \$ 601,740 |
| Costs and expenses: | | | | |
| Cost of revenues | 44,066 | 47,365 | 89,570 | 95,517 |
| Sales and marketing | 12,399 | 16,569 | 22,918 | 33,844 |
| Research and development | 14,953 | 13,755 | 31,085 | 29,130 |
| General and administrative | 33,178 | 31,753 | 67,179 | 64,820 |
| Total costs and expenses | 104,596 | 109,442 | 210,752 | 223,311 |
| Operating income | 201,693 | 193,010 | 401,945 | 378,429 |
| Interest expense | (22,635) | (28,792) | (45,266) | (69,580) |
| Non-operating income, net | 11,436 | 660 | 23,639 | 8,464 |
| Income before income taxes | 190,494 | 164,878 | 380,318 | 317,313 |
| Income tax expense | (42,960) | (36,527) | (70,257) | (54,699) |
| Net income | 147,534 | 128,351 | 310,061 | 262,614 |
| Other comprehensive income | 35 | 17 | 84 | 260 |
| Comprehensive income | \$ 147,569 | \$ 128,368 | \$ 310,145 | \$ 262,874 |
| Earnings per share: | | | | |
| Basic | \$ 1.24 | \$ 1.13 | \$ 2.60 | \$ 2.49 |
| Diluted | \$ 1.24 | \$ 1.04 | \$ 2.59 | \$ 2.13 |
| Shares used to compute earnings per share | | | | |
| Basic | 118,965 | 113,936 | 119,359 | 105,639 |
| Diluted | 119,361 | 123,200 | 119,837 | 123,399 |

VERISIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Six Months Ended June 30, | |
|---|---------------------------|-------------|
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Net income | \$ 310,061 | \$ 262,614 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of property and equipment | 22,884 | 24,195 |
| Stock-based compensation | 25,617 | 26,276 |
| Amortization of discount on investments in debt securities | (5,679) | (7,686) |
| Other, net | 894 | 13,452 |
| Changes in operating assets and liabilities: | | |
| Other assets | (10,254) | (7,605) |
| Accounts payable and accrued liabilities | (39,351) | (20,892) |
| Deferred revenues | 31,857 | 27,296 |
| Net deferred income taxes and other long-term tax liabilities | 16,146 | (25,844) |
| Net cash provided by operating activities | 352,175 | 291,806 |
| Cash flows from investing activities: | | |
| Proceeds from maturities and sales of marketable securities | 1,466,303 | 2,634,376 |
| Purchases of marketable securities | (1,021,741) | (1,592,403) |
| Purchases of property and equipment | (20,189) | (18,669) |
| Other investing activities | (6,311) | (160) |
| Net cash provided by investing activities | 418,062 | 1,023,144 |
| Cash flows from financing activities: | | |
| Repayment of principal on subordinated convertible debentures | — | (1,250,009) |
| Proceeds from employee stock purchase plan | 8,253 | 7,811 |
| Repurchases of common stock | (384,532) | (281,597) |
| Net cash used in financing activities | (376,279) | (1,523,795) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 243 | (590) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 394,201 | (209,435) |
| Cash, cash equivalents, and restricted cash at beginning of period | 366,753 | 475,139 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 760,954 | \$ 265,704 |
| Supplemental cash flow disclosures: | | |
| Cash paid for interest | \$ 43,708 | \$ 73,971 |
| Cash paid for income taxes, net of refunds received | \$ 62,214 | \$ 85,597 |

VERISIGN, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND ADJUSTED EBITDA
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended June 30, | | | |
|----------------------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2019 | | 2018 | |
| | Operating Income | Net Income | Operating Income | Net Income |
| GAAP as reported | \$ 201,693 | \$ 147,534 | \$ 193,010 | \$ 128,351 |
| Adjustments: | | | | |
| Stock-based compensation | 13,155 | 13,155 | 13,298 | 13,298 |
| Non-cash interest expense | | — | | 1,801 |
| Loss on debt extinguishment | | — | | 6,554 |
| Tax adjustment | | (1,843) | | (4,510) |
| Non-GAAP | <u>\$ 214,848</u> | <u>\$ 158,846</u> | <u>\$ 206,308</u> | <u>\$ 145,494</u> |
| Revenues | \$ 306,289 | | \$ 302,452 | |
| Non-GAAP operating margin | <u>70.1%</u> | | <u>68.2%</u> | |
| Diluted shares | | 119,361 | | 123,200 |
| Diluted EPS, non-GAAP | | <u>\$ 1.33</u> | | <u>\$ 1.18</u> |

The following table presents the classification of stock-based compensation:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------------|---------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Cost of revenues | \$ 1,741 | \$ 1,818 | \$ 3,339 | \$ 3,428 |
| Sales and marketing | 1,019 | 1,494 | 2,002 | 2,942 |
| Research and development | 1,642 | 1,688 | 3,231 | 3,409 |
| General and administrative | 8,753 | 8,298 | 17,045 | 16,497 |
| Total stock-based compensation expense | <u>\$ 13,155</u> | <u>\$ 13,298</u> | <u>\$ 25,617</u> | <u>\$ 26,276</u> |

The following table reconciles GAAP net income to non-GAAP Adjusted EBITDA:

| | Four Quarters Ended June 30, 2019 |
|---------------------------------------|--------------------------------------|
| Net Income | \$ 629,936 |
| Interest expense | 90,532 |
| Income tax expense | 162,585 |
| Depreciation and amortization | 47,057 |
| Stock-based compensation | 51,845 |
| Unrealized loss on hedging agreements | 307 |
| Gain on sale of business | (55,593) |
| Non-GAAP Adjusted EBITDA | <u>\$ 926,669</u> |