

AVG Technologies N.V.
Form 20-F
April 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 001-35408

AVG TECHNOLOGIES N.V.

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

Gatwickstraat 9-39,

1043 GL Amsterdam,

The Netherlands

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Ordinary Shares, par value 0.01 per share	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Title of each class	Number of shares outstanding
Ordinary shares	51,628,104

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) (or for such shorter period that the Registrant was required to file such reports). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements about us, our markets and our industry. These statements involve known and unknown substantial risks, uncertainties and other factors as described in detail under Item 3. Key Information D. Risk factors in this Annual Report that may cause our actual results, levels of activity, performance or achievement to be materially different from those expressed or implied by the forward-looking statements. All statements, other than statements of historical fact, included in this Annual Report regarding our strategy, future operations, future financial position, future net sales, projected expenses, prospects and plans and objectives of management are forward-looking statements.

In some cases, you can also identify forward-looking statements by terms such as anticipate, believe, estimate, expect, intend, may, might, plan, project, will, would, should, could, can, predict, potential, continue, and the negatives of these terms, and similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words.

All forward-looking statements reflect our current views about future events and are based on assumptions and subject to risks and uncertainties. Forward-looking statements in this Annual Report include, but are not limited to, statements about:

changes in our growth strategies;

changes in our future prospects, business development, results of operations and financial condition;

the anticipated costs and benefits of our acquisitions;

our ability to maintain effective internal controls and procedures;

our ability to comply with our credit agreements;

changes to the online and computer threat environment and the endpoint security industry;

competition from local and international companies, new entrants in the market and changes to the competitive landscape;

the adoption of new, or changes to existing, laws and regulations;

changes in international or national tax regulations and related proposals;

the assumptions underlying the calculation of our key metrics, including the number of our active users, revenue per average active user, subscription revenue per subscriber and platform revenue per thousand searches;

potential effects of changes in the applicable search guidelines of our search partners;

the status of or changes to our relationships with our partners, including Yahoo!, Google and other third parties;

changes in our and our partners' responses to privacy concerns;

our plans to launch new products and online services and monetize our full user base;

the performance of our products, including AVG Zen;

our ability to attract and retain active and subscription users;

our ability to retain key personnel and attract new talent;

our ability to adequately protect our intellectual property;

our geographic expansion plans;

the outcome of ongoing or any future litigation or arbitration, including litigation or arbitration relating to intellectual property rights;

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our legal and regulatory compliance efforts, including with respect to PCI compliance; and

worldwide economic conditions and their impact on demand for our products and services.

Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements.

Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this Annual Report. You should read this Annual Report and the documents that we have filed as exhibits to this Annual Report completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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INTRODUCTION

This Annual Report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from future results as a result of factors such as those set forth in Item 3. Key Information D. Risk factors and Item 5. Operating and Financial Review and Prospects G. Safe harbor.

The financial information included in this Annual Report is based on generally accepted accounting principles in the United States, or U.S. GAAP, unless otherwise indicated.

In presenting and discussing our financial position, operating results and cash flows, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation or as alternatives to the equivalent U.S. GAAP measures and should be used in conjunction with the most directly comparable U.S. GAAP measures. A discussion of non-GAAP measures included in this Annual Report and a reconciliation of such measures to the most directly comparable U.S. GAAP measures are contained in this Annual Report under Item 5. Operating and Financial Review and Prospects A. Operating results Non-GAAP Measures.

Unless otherwise indicated or the context otherwise requires, all references in this Annual Report to AVG or the Company, we, our, ours, us or similar terms refer to AVG Technologies N.V. and its subsidiaries, or if before November 25, 2011, to our predecessor company and former wholly owned subsidiary AVG Technologies N.V. and its subsidiaries. See Item 4. Information on the Company A. History and development of the company. ^{AVG}The Online Security Company, Devices. Data. People., AVG Zen, Be Yourself, Managed Workpl^{AVG} CloudCare™, and our logo are our key brands, and are variously registered in several jurisdictions. This Annual Report contains references to these and others of our trademarks and names and those of other entities and all these references may omit the ® or symbols solely for convenience. Such references are not intended, however, to imply that we will not enforce our rights in any of our marks to the fullest extent permitted by law. This Annual Report also contains references to third party trademarks, and references to these third party marks may omit the ® or symbols solely for convenience. All trademarks are property of their respective owners.

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Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION**A. SELECTED FINANCIAL DATA**

We have derived the consolidated statements of comprehensive income data and the consolidated balance sheets data for the years ended, and as of, December 31, 2011, 2012, 2013, 2014 and 2015 from our audited consolidated financial statements. You should read the consolidated financial data set forth below in conjunction with our consolidated financial statements and related notes and the information under Item 5. Operating and Financial Review and Prospects, appearing elsewhere in this Annual Report on Form 20-F. Our reporting currency is the U.S. dollar. Our historical results are not necessarily indicative of our results to be expected in any future period. We have prepared the financial statements included in this Annual Report in accordance with U.S. GAAP.

Certain prior year amounts in the consolidated financial statements and the accompanying notes have been reclassified to conform to the fiscal 2015 presentation.

In 2015, on the consolidated statements of income, we began to break down our subscription revenue separately stating our SaaS revenues from licenses revenues, and we began to break down our platform-derived revenue and separately stating Search revenue from other platform-derived revenue. For comparison purposes, we have reclassified prior year revenues to reflect the new method of presentation.

The majority of the costs associated with our licenses and SaaS offerings are interrelated and interdependent. Accordingly, we present these costs aggregated as cost of Software sales. Similarly, the costs for Search revenue and other platform-derived revenue are also interrelated and interdependent. Accordingly, we present these costs aggregated as cost of Search and other.

SaaS revenues and licenses revenues are jointly referred to as Subscription revenue. Search revenues and other platform-derived revenues are jointly referred to as Platform-derived, or platform, revenue. Since the business activities in Subscription revenue and in Platform-derived revenue are interrelated, we continue to review the performance and financial results in this manner.

	Year ended December 31,				
	2011	2012	2013	2014	2015
	(in thousands of U.S. dollars, except for share data and per share data)				

Statement of Comprehensive Income Data and Other Operating Metrics:

Revenue:

Licenses	\$ 175,654	\$ 196,858	\$ 245,965	\$ 260,228	\$ 268,981
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SaaS			4,874	21,353	77,205
Search	96,553	158,803	154,814	88,964	76,601
Other	185	305	1,460	3,528	5,524
Total revenue	272,392	355,966	407,113	374,073	428,311

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	Year ended December 31,				
	2011	2012	2013	2014	2015
	(in thousands of U.S. dollars, except for share data and per share data)				
Cost of revenue:⁽¹⁾					
Software sales	(23,374)	(27,064)	(30,027)	(39,068)	(59,948)
Search and other	(7,849)	(27,320)	(38,818)	(12,759)	(4,858)
Total cost of revenue	(31,223)	(54,384)	(68,845)	(51,827)	(64,806)
Gross profit	241,169	301,582	338,268	322,246	363,505
Operating expenses:⁽¹⁾					
Research and development	(35,008)	(55,485)	(60,885)	(70,168)	(88,008)
Sales and marketing	(76,933)	(92,198)	(96,382)	(96,950)	(125,325)
General and administrative	(60,710)	(73,491)	(70,902)	(75,790)	(75,238)
Total operating expenses	(172,651)	(221,174)	(228,169)	(242,908)	(288,571)
Operating income	68,518	80,408	110,099	79,338	74,934
Other income (expense), net	(17,104)	(22,939)	(7,379)	(5,325)	(15,489)
Income before income taxes and loss from investment in equity affiliate	51,414	57,469	102,720	74,013	59,445
Income tax (provision) benefit	49,260	(11,141)	(39,006)	(19,579)	(10,519)
Loss from investment in equity affiliate	(242)	(511)			
Net income	100,432	45,817	63,714	54,434	48,926
Less: Net income attributable to noncontrolling interests				(8)	(35)
Net income attributable to AVG Technologies N.V.	100,432	45,817	63,714	54,426	48,891
Redeemable noncontrolling interest				(534)	(1,925)
Preferred share dividends Distributed and undistributed earnings to participating securities	(7,208)	(753)			
	(27,513)				
Net income available to ordinary shareholders basic⁽²⁾	\$ 65,711	\$ 45,064	\$ 63,714	\$ 53,892	\$ 46,966
Earnings per ordinary share basic⁽²⁾	\$ 1.83	\$ 0.86	\$ 1.18	\$ 1.03	\$ 0.90
	\$ 1.69	\$ 0.83	\$ 1.16	\$ 1.02	\$ 0.89

Earnings per ordinary share
diluted⁽²⁾

Weighted-average ordinary shares outstanding	base ⁽²⁾	36,000,000
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