



Vonage Announces Third Quarter 2015 Results: Consolidated Revenue of \$223 Million, driven by 134% Year-Over-Year GAAP Revenue Growth at Vonage Business; Consolidated Adjusted EBITDA of \$34 Million, a 13% Year-Over-Year Increase; Increases 2015 Full Year Revenue Guidance to \$891 - \$895 Million and Increases Adjusted EBITDA Guidance to \$142 - \$144 Million

November 4, 2015

HOLMDEL, N.J., Nov. 4, 2015 /PRNewswire/ -- Vonage Holdings Corp. (NYSE: VG), a leading provider of cloud communications services for businesses and consumers, today announced results for the third quarter ended September 30, 2015.

Third Quarter Consolidated Financial Results

"Our strong financial and operational results reflect the continued execution of our strategy to drive organic and inorganic growth in Vonage Business while taking disciplined actions to release the inherent profitability in Consumer Services. The third quarter marks our third consecutive quarter of consolidated revenue growth, driven by our strong revenue growth in Vonage Business. We also had another quarter of excellent cash flows from Consumer Services, which continue to support our investments in the high-growth UCaaS for business sector," said Alan Masarek, Chief Executive Officer of Vonage.

Mr. Masarek continued, "We made great progress building the foundation to become the clear market leader in cloud communications. We completed the acquisition of iCore Networks, solidifying our position in the mid-market and enterprise segments. We invested in the "Business of Better" campaign to establish Vonage as a leading business services brand. And, we made significant progress integrating our recent acquisitions to build a scalable, efficient organization capable of serving the full spectrum of business customers from SMB up through large enterprises."

For the third quarter of 2015, Vonage reported revenue of \$223 million, up from \$215 million in the year ago quarter. Income from operations was \$9 million in the third quarter of 2015, down from \$15 million in the prior year period. Adjusted earnings before interest, taxes, depreciation and amortization¹ ("adjusted EBITDA") for the third quarter were \$34 million, a 13% increase over the prior year period. GAAP net income was \$3 million or \$0.02 per share, down from \$5 million or \$0.02 per share in the year ago quarter. Adjusted net income² was \$14 million or \$0.07 per share, flat year-over-year.

Vonage Business Results

- On August 31, 2015, Vonage completed the acquisition of iCore Networks Inc. ("iCore"), which deepens the Company's penetration in the mid-market and enterprise segment, expands the Company's direct sales force and product set and strengthens the Company's national footprint. iCore is a leading provider of BroadSoft-based and Microsoft Skype for Business UCaaS solutions, as well as complementary desktop cloud services, including Infrastructure as a Service and virtual desktop. iCore's September results, adjusted down for purchase accounting, are included in the Company's operating results.
- Revenue at Vonage Business was \$57 million in the third quarter, a year-over-year increase of 134% on a GAAP basis. Vonage Business revenue growth was 36% on an organic basis, as if the Company owned Telesphere and SimpleSignal for all periods, but excluding iCore.
- Revenue churn at Vonage Business was 1.3% in the third quarter, flat sequentially and year-over-year.
- Ending seats were 514,000, up from 242,000 seats in the year ago quarter, reflecting strong organic growth and the addition of Telesphere, SimpleSignal and iCore customers.
- Gartner named Vonage a Visionary in its 2015 Magic Quadrant for Unified Communications as a Service, Worldwide. Gartner highlighted Vonage's brand, account management and customer support, and ability to integrate with leading cloud applications, as key strengths and reasons for placement in the Visionary Quadrant. Also in the quarter, Vonage was awarded Frost & Sullivan's 2015 Growth Excellence Leadership Award for Hosted IP and Unified Communications and Collaboration Services. Vonage received a rating of Excellent in both Growth Performance and Customer Impact categories, scoring highest among all providers ranked by Frost & Sullivan.

Consumer Services Results

- In the third quarter, the Company continued to improve the profitability and cash flow of Consumer Services through its disciplined approach to marketing efficiency and new customer acquisitions.
- Revenue in Consumer Services was \$166 million in the third quarter, compared to \$190 million in the prior year period, reflecting the Company's decision to redeploy capital into the rapidly growing UCaaS for business sector.
- Consumer customer churn improved to 2.3% in the third quarter, down from 2.6% in the year ago quarter.
- Average revenue per line ("ARPU") was \$27.38, down from \$27.60 in the year ago period.
- Consumer net line losses were approximately 50,000 due to the Company's continued focus on improving the quality of customers it acquires and driving increased profitability.
- Vonage's Consumer Services ended the third quarter with two million subscriber lines.

Patent Portfolio

Vonage continues to execute on its strategy to develop innovative technologies and to protect its valuable intellectual property. The Company was granted seven new patents in the third quarter and now owns 98 U.S. patents, with 245 U.S. patent applications pending, along with many foreign patents and pending applications in jurisdictions worldwide.

Share Repurchase

In the third quarter, Vonage repurchased 0.4 million shares of stock for \$1.8 million at an average price of \$4.90 under its current, four-year \$100 million program. Year-to-date, the Company has repurchased 3.3 million shares at an average price of \$4.58. Since beginning its repurchase programs in August 2012, the Company has repurchased 48 million shares for \$148 million at a highly accretive average price of \$3.08.

Updated 2015 Guidance

The Company is updating and has increased its 2015 revenue and EBITDA guidance given greater visibility on full year results and the closing of the iCore acquisition. Vonage expects total 2015 GAAP revenue of \$891 million to \$895 million and adjusted EBITDA of \$142 million to \$144 million.

Conference Call and Webcast

Management will host a webcast discussion of the third quarter on Wednesday, November 4, 2015 at 8:30 AM Eastern Time. To participate, please dial (877) 359-9508 approximately 10 minutes prior to the call. International callers should dial (224) 357-2393.

The webcast will be broadcast live through Vonage's Investor Relations website at <http://ir.vonage.com>. Windows Media Player or RealPlayer is required to listen to this webcast. A replay of the call and webcast will be available shortly after the conclusion of the call and may be accessed through Vonage's Investor Relations website at <http://ir.vonage.com> or by dialing (855) 859-2056. International callers should dial (404) 537-3406. The replay passcode is 57571351.

(1) This is a non-GAAP financial measure. Refer below to Table 3 for a reconciliation to GAAP income from operations.

(2) This is a non-GAAP financial measure. Refer below to Table 4 for a reconciliation to GAAP net income.

VONAGE HOLDINGS CORP.

TABLE 1. CONSOLIDATED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

	Three Months Ended		September 30, 2014		Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2014	September 30, 2014	September 30, 2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Statement of Income Data:						
Revenues	\$ 223,360	\$ 221,858	\$ 214,710	\$ 664,948	\$ 654,321	
Operating Expenses:						
Cost of service (excluding depreciation and amortization of \$6,415, \$6,005, \$4,704, \$18,144, and \$14,956, respectively)	67,193	64,209	56,475	193,255	174,837	
Cost of goods sold	8,206	8,217	9,205	25,613	28,394	
Sales and marketing	88,028	84,385	93,000	257,977	286,553	
Engineering and development	6,830	6,864	4,992	20,299	14,483	
General and administrative	28,860	27,162	24,160	79,256	73,286	
Depreciation and amortization	15,446	14,463	12,275	43,854	37,046	
	214,563	205,300	200,107	620,254	614,599	
Income from operations	8,797	16,558	14,603	44,694	39,722	
Other income (expense):						
Interest income	24	21	37	65	159	
Interest expense	(2,222)	(2,088)	(1,680)	(6,245)	(5,191)	
Other income (expense), net	(50)	32	(2)	(595)	21	
	(2,248)	(2,035)	(1,645)	(6,775)	(5,011)	
Income from continuing operations before income tax expense	6,549	14,523	12,958	37,919	34,711	
Income tax expense	(3,116)	(6,176)	(5,631)	(16,290)	(15,010)	
Income from continuing operations	3,433	8,347	7,327	21,629	19,701	
Loss from discontinued operations	—	—	(2,962)	(1,615)		