



## Vonage Announces Strong Third Quarter 2016 Results, Highlighted by 86% Revenue Growth in Vonage Business

October 26, 2016

HOLMDEL, N.J., Oct. 26, 2016 /PRNewswire/ -- Vonage Holdings Corp. (NYSE: VG), a leading provider of Cloud Communications for Business, today announced results for the third quarter ended September 30, 2016.

### Third Quarter Consolidated Financial Results

For the third quarter of 2016, Vonage reported revenues of \$248 million, up from \$223 million in the year ago quarter. GAAP Income from Operations was \$15 million, up from \$9 million in the prior year. Adjusted Operating Income Before Depreciation and Amortization ("Adjusted OIBDA")<sup>1</sup> for the third quarter was \$41 million, up from \$34 in the prior year period. GAAP net income was \$9 million or \$0.04 per share, up from \$3 million or \$0.02 per share in the year ago quarter. Adjusted net income<sup>2</sup> was \$19 million or \$0.09 per share, up from \$11 million or \$0.05 per share in the year ago quarter.

"Our results reflect good progress integrating our acquisitions and building a winning product and go-to-market value proposition for our customers," said Vonage CEO Alan Masarek. "The significant investments in Vonage Business continue to support our growth initiatives, highlighted by 86% revenue growth in the third quarter. Our disciplined focus on profitability continues to produce strong results, highlighted by a 21% increase in adjusted OIBDA."

Mr. Masarek continued, "We are very pleased with the progress we've made executing on our strategy to be the Clear Leader in Business Cloud Communications. The integration of our UCaaS and CPaaS solutions will create the most vertically integrated communications company in our industry, with the scale and capabilities to provide better outcomes for our business customers."

### Third Quarter Operating Results

- Vonage Business revenue, which includes \$24 million of Nexmo revenue, was \$106 million, an 86% year-over-year increase on a GAAP basis.
- Ending seats at Vonage Business were 616,000, up from 514,000 seats in the year ago quarter, a 20% increase.
- Vonage Business revenue churn was 1.4%, compared to 1.3% in the year ago quarter.
- The Vonage API platform, formerly Nexmo, launched its next generation voice application interface, effectively doubling the Company's addressable market in CPaaS by opening up the broader, programmable voice market.
- Revenue from Consumer Services was \$142 million, compared to \$166 million in the prior year period. This decline is consistent with the Company's strategy to optimize the profitability of Consumer Services, while redeploying capital into the high-growth Business Cloud Communications sector.
- Consumer customer churn improved to 2.2%, down from 2.3% in the year ago quarter.

### Patent Portfolio

Vonage continues to execute on its strategy to develop innovative technologies and to protect its valuable intellectual property. The Company was granted 11 new patents in the third quarter and now owns 132 U.S. patents, with 200 U.S. patent applications pending, along with many foreign patents and pending applications in jurisdictions worldwide.

### Guidance Update

The Company is updating its 2016 full year guidance due to greater visibility on its full year results. Vonage continues to expect consolidated annual GAAP revenue of \$950 to \$960 million. Within this, the Company is raising guidance for Vonage Business revenues to a range of \$374 to \$377 million, up from \$365 to \$370 million. Adjusted OIBDA is expected to be in the range of \$158 to \$160 million, up from "at least \$150 million."

### Conference Call and Webcast

Management will host a webcast discussion of the third quarter 2016 on Wednesday, October 26, 2016 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>. 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 91321658.

(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, 2015		Nine Months Ended	
	September 30, 2016	June 30, 2016	September 30, 2015	September 30, 2015	September 30, 2015	September 30, 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Statement of Income Data:</b>						
Revenues	\$ 248,359	\$ 233,675	\$ 223,360	\$ 708,858	\$ 664,948	
Operating Expenses:						
Cost of service (excluding depreciation and amortization of \$7,460, \$6,985, \$6,415, \$21,278, and \$18,144, respectively)	87,377	76,078	67,193	232,605	193,255	
Cost of goods sold	8,591	8,352	8,206	26,009	25,613	
Sales and marketing	83,731	83,344	88,028	246,676	257,977	
Engineering and development	8,075	7,243	6,830	22,152	20,299	
General and administrative	27,538	35,053	28,860	89,261	79,256	
Depreciation and amortization	18,018	18,218	15,446	53,215	43,854	
	233,330	228,288	214,563	669,918	620,254	
Income from operations	15,029	5,387	8,797	38,940	44,694	
Other income (expense):						
Interest income	19	25	24	65	65	
Interest expense	(3,974)	(3,057)	(2,222)	(9,477)	(6,245)	
Other income (expense), net	(495)	104	(50)	(237)	(595)	
	(4,450)	(2,928)	(2,248)	(9,649)	(6,775)	
Income from continuing operations before income tax expense	10,579	2,459	6,549	29,291	37,919	
Income tax expense	(1,501)	(1,562)	(3,116)	(11,385)	(16,290)	
Income from continuing operations	9,078	897	3,433	17,906	21,629	
Loss from discontinued operations	—	—	—	—	(1,615)	
Loss on disposal, net of taxes	—	—	—	—	—	