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Vonage Holdings Corporate

WE MAP YOUR FINANCIAL GOALS

Overview

Vonage Holdings Corp. is a provider of cloud communications services for businesses and consumers, and consumer and business communication solutions across multiple devices. For business services customers, the Company provides cloud-based unified communications as a service (UCaaS) solutions, consisting of integrated voice, text, video, data, collaboration and mobile applications over its scalable session initiation protocol (SIP)-based voice over Internet protocol (VoIP) network. It serves a range of business markets, including the small and medium business (SMB), mid-market and enterprise segments. Its business solutions' product families include Vonage Essentials, based on its call processing platform that is purpose-built for SMB and mid-market customers, and Vonage Premier, based on Broadsoft's call processing platform in combination with its cloud-based solutions. Its consumer services strategy is focused on the North American markets.

Board of directors, Corporate Governance and Ownership

The board of directors consist s of seven members, this include Alan Masarek who is the Chief Executive Officer of Vonage.

Board of Directors	
Name	Position
Jeffrey Citron	Chairman, Director
Alan Masarek	Chief Executive Officer, director
Stephen Fisher	Director
John Roberts	Director
Carolyn Katz	Director
Carl Sparks	Director
Naveen Chopra	Director

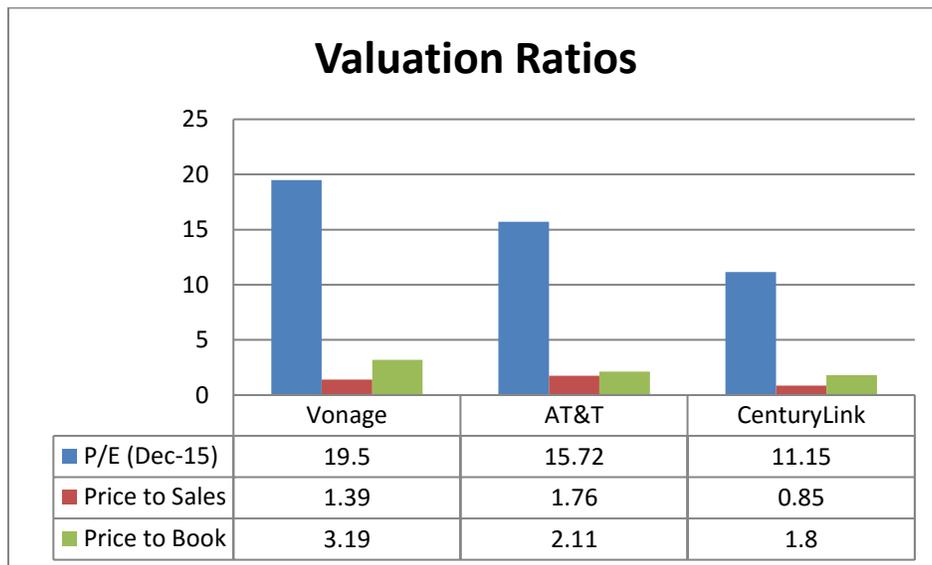
The majority of the shares owned:-

Investors	Percentage Owned	Shares	Turn over
Citron (Jeffrey A)	10.97%	23.42M	LOW
Wellington Management Company, LLP	9.29%	19.83M	LOW
The Vanguard Group, Inc.	8.14%	17..38M	LOW
BlackRock Institutional Trust Company, N.A.	5.90%	12.59M	LOW
Renaissance Technoogies LLc	4.39%	9.38M	MOD
Emerald Advisers, Inc	4.39%	9.37M	MOD
Columbia Wanger Asset Management, LLc	4.60%	9.30M	MOD
Dimensional Fund Advisors, L.P.	3.20%	6.83M	LOW
Thompson. Siegel & Walmsley LLc	2.81%	6.00M	LOW
First Trust Advisors L.P.	2.35%	5.02M	MOD

Stock information

- Market capitalization :- 1.24B
- Beta:- 1.04
- Free floating:- 187.25M
- Outstanding :- 213.8M

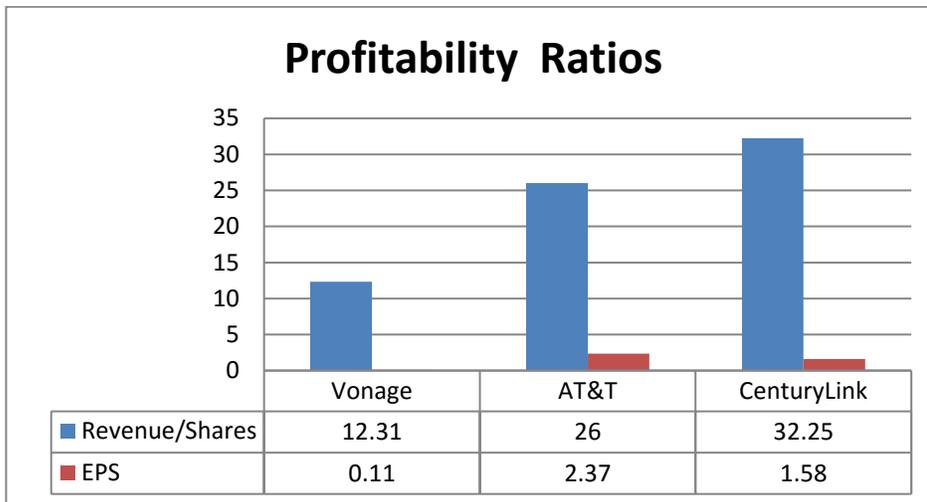
Vonage Holdings against peer’s competitors Fundamentals Overview



Valuation ratios used to compare companies or company with the industry or others to determine which one is better or which one is more attractive. Valuation ratios measure how cheap or expensive the business is, or we can say the investors opportunities in one company or security compare with others.

- The P/E ratio, stock price/ Earnings per Share, indicates how much investors are willing to pay for a stock or invest in company in order to receive one dollar of earnings. P/E also reflects the market/investors company growth expectations. Vonage with 19.5 P/E is higher compared with its peers, AT&T has 15.72 P/E and CenturyLink has 11.15 P/E. Vonage high P/E ratio can be justified by its low EPS compared with others that we will revise later on.
- P/S or price to sales ratio indicates how much investors are willing to pay for \$1 of sale. Vonage P/S is 1.39 if we compare it with CenturyLink with P/S of 0.85 this means that CenturyLink investors are paying 0.85 for each \$1 of sale, and Vonage investors are paying 1.39 for each \$1 of sales. This does not mean that CenturyLink investors are better off, as low P/S does not always mean better, looking at it from different angle, Vonage investors are paying more probably they are expecting a higher growth in the future. Nevertheless, a low ratio possibly indicates undervaluation and high ratio indicates overvaluation.
- Price to book value ratio measures a company's market price in relative to its book value. The ratio indicates how much equity investors are paying for each dollar in net assets. A ratio below one could be a bad sign for investors as it probably means that the market believes the assets are overstated or earnings are low. However, Vonage has P/B of 3.19 which is higher than its peers, AT&T 2.11 and CenturyLink 1.8.

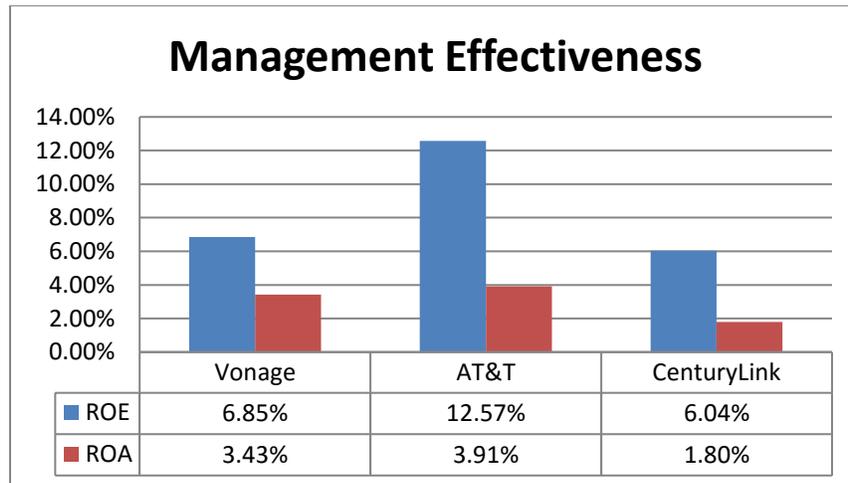
In conclusion for the Valuation Ratio, we conclude that Vonage Holdings is a overvalued company, as its P/E ratio and Price to Book ratio is higher than its peers.



Profitability ratio can be easily explained the company ability to generate profit. And it is used to measure the company's performance

- Revenue/share ratio measures the revenue earned per share. The sales-per-share ratio is used to estimate a company's business activities in comparison to share price. From the table we can see that Vonage Revenue/Share ratio is 12.31 compared with 26 AT&T and 32.25 CenturyLink. A higher ratio is more preferred for investors and makes the company more attractive for investors.
- Earnings per share (EPS) are the amount of a company's profit allocated to each outstanding shares of common stock. Earnings per share, serves as an indicator of a company's profitability. EPS also shows how profitable a company is on shareholders basis. Comparing AT&T EPS ratio which is 2.37 and 1.58 EPS for CenturyLink, Vonage EPS is significantly lower which is 0.11. However, looking at EPS ratio as a growth indicator is not always true; the Pay-out ratio plays an important role to this too as how much the company is paying dividend compared with EPS and how much kept from EPS to invest in the future. For Vonage they do not disturb dividend so they are using all the EPS 0.11 for future investments.

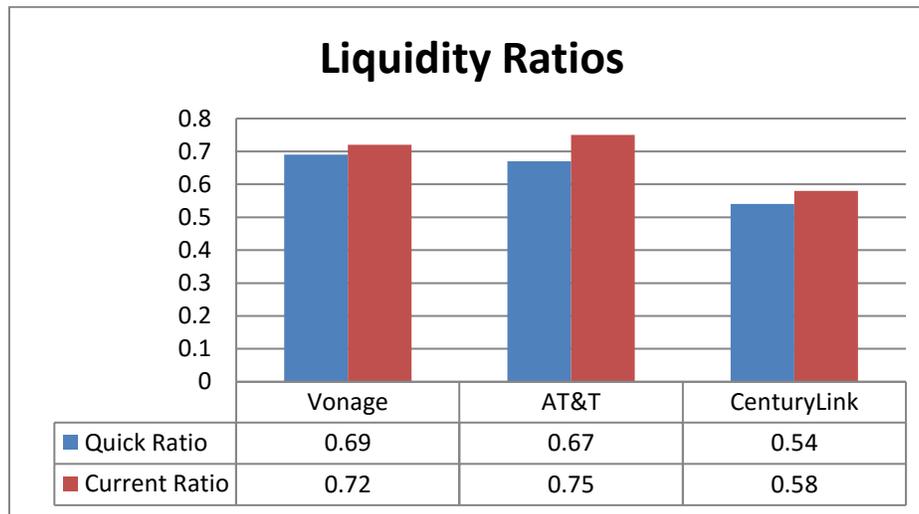
Even though two ratios are not enough to judge if the company is undervalued or overvalued, but based only on those two ratios we can conclude that Vonage is undervalued company as both ratios are lower than the others



Management Effectiveness ratios is simply means to evaluate the management performance; like how well they are using their assets and money(equity) to produce a positive alpha.

- Return on equity (ROE) measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. The higher the ratio percentage, the more efficient management is in utilizing its equity and the better return is to investors. Vonage has ROE of 6.85% which is higher than CenturyLink 6.04% ROE, but lower than AT&T 12.57% ROE. This can be justified by many reasons like maybe Vonage has higher shareholders equity compared with its income.
- ROA Return on assets (ROA) is a pointer of how profitable a company is relative to its total assets. ROA gives the investor an idea of how efficient managements are utilizing its assets to generate earnings. The higher the ROA ratio, the better, because the company is earning more money on less investment. Vonage has 3.43% ROA higher than CenturyLink 1.80%, but not far from AT&T with ROA of 3.91%.

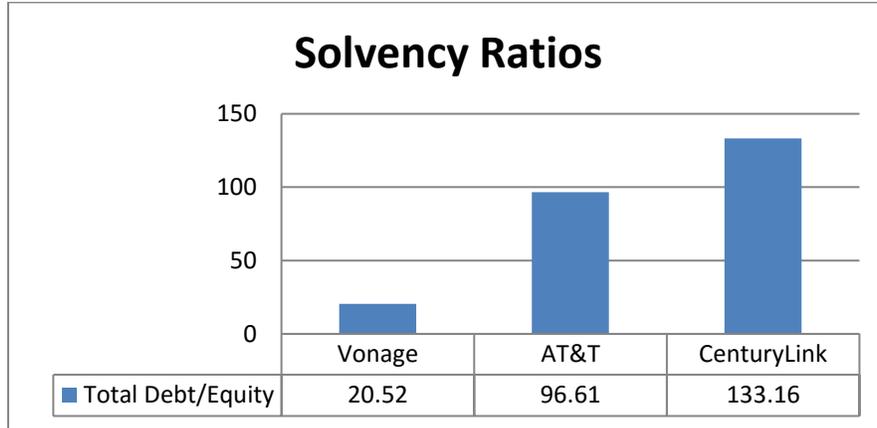
As for Management Effectiveness Ratios, if we first take the ROE ratio and compare Vonage with AT&T we can see that AT&T manages its investors' money more effectively. However, if we compare Vonage with CenturyLink we see that Vonage manage its investors' money better than CenturyLink. Second, taking ROA ratio and compare Vonage with AT&T, we see that AT&T's are more efficient using its assets to generate earnings. Yet, Vonage's ROA ratio is better than CenturyLink which means that they are more efficient using its assets.



Liquidity Ratios are employed by analyst to determine the firm’s ability to pay its short-term liabilities

- Quick Ratio is an indicator of a company’s short-term liquidity. The quick ratio measures a company’s ability to meet its short-term obligations with its most liquid assets. The higher the ratio, the more likely it is that the company will be able to pay its short-term bills. The ratio excludes inventories from current assets. Vonage has Quick Ratio of 0.69 higher than its peers, AT&T 0.67 Quick Ratio and CenturyLink 0.54 Quick Ratio. Also Vonage Quick ratio is near its peers which is a good sign because a very high ratio might show that the company is not efficiently using its liquid short term assets.
- Current ratio is the same as quick ratio, but inventories are included in the calculation. A ratio less than one means that the company has negative working capital and is probably facing a liquidity crisis. Vonage has Current Ratio of 0.72 which is lower than AT&T with ratio of 0.75 and higher than CenturyLink with ratio of 0.58. this means that Vonage is holding less inventory compared with AT&T, but more inventory than CenturyLink

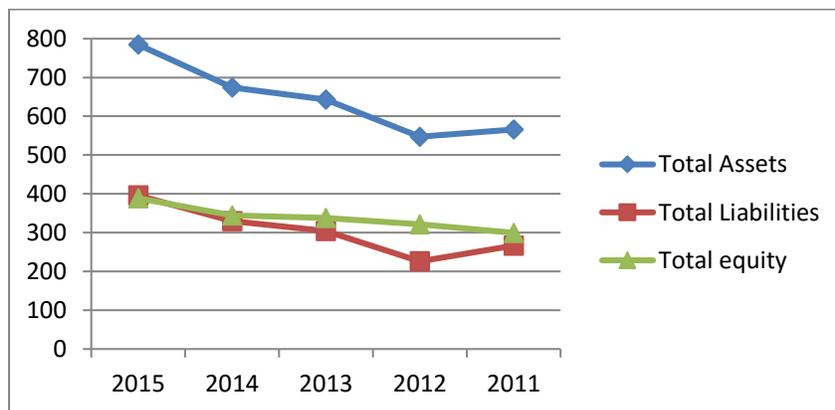
In conclusion for Liquidity Ratios, if we take the Quick ratio alone we conclude that Vonage has a higher margin of safety to cover its short-term debts. On the other hand, if we take Current Ratio and compare Vonage with AT&T, we conclude that Vonage has less margin of safety compared with AT&T. However, if we compare it with CenturyLink we see that Vonage has higher margin of safety.



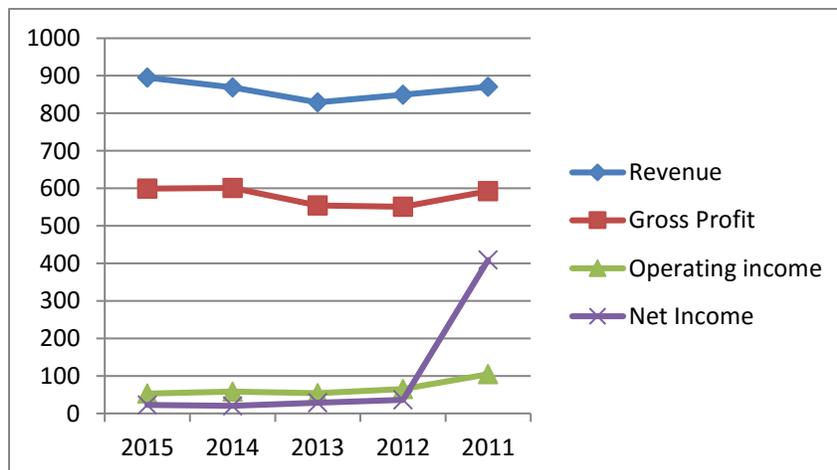
Solvency Ratios measure a firm's financial leverage and ability to meet its long-term obligation

- Total debt/ equity increases and decreases in this ratio suggest a greater or lesser reliance on debt as source. Debt/Equity Ratio is a debt ratio used to measure a company's financial leverage. The D/E ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity. Vonage has D/E ratio of 20.52 compared with AT&T 96.61 and CenturyLink 133.16. The ratio shows us that Vonage is less debt or less leverage than the others. However, the company might be taking on the efficient leverage ratio, but increasing the debt portion might be optimal as the cost of debt is usually lower than the cost of equity.

Vonage Financial Statements



- Vonage Total Assets decreased by 3.32% from 2011 to 2012 after that total assets kept increasing, it increased by 17.41% from 2012 to 2013, 4.95% from 2013 to 2014 and 16.32% from 2014 to 2015. Vonage total assets increased by more than 43% from 2012 to 2015 it jumped from 547.4 million to 784.6 million. The huge jump in total assets from 2012 to 2015 can be justified by many reasons like, prepaid expense increased by 51.68%, other current assets increased by 76.72%, Property/Plant/Equipment increased by 10.15%, Intangibles increased by 506.48% and finally Goodwill increased significantly from zero to 222.1 million.
- Vonage total Liabilities same as total assets, it had down trend from 2011 to 2012 it decreased by 15.23% and after that it had up trend from 2012 to 2015. It increased by 34.82% from 2012 to 2013, 8.34% from 2013 to 2014 and 19.90% from 2014 to 2015. It increased by 75.13% from 2012 to 2015. The big jump in total liabilities from 2012 to 2015 can be justified by that Vonage Total long term debt increased by 192.3%, accrued expenses increased by 87.5% and other liabilities jumped from 2.3 million to 125.1 million.
- Vonage Equity not like its total assets and liabilities, its equity kept increasing slight for the past 5 years. It increased by 7.28% from 2011 to 2012, 5.20% from 2012 to 2013, 1.83% from 2013 to 2014 and 12.90% from 2014 to 2015. Take the numbers from 2012 to 2015, Vonage equity increased by 20.93% reasons for this, Vonage increased its common stocks by 50% and additional paid in capital by 50% and reduced its accumulated deficit by 9.80%.



- Vonage Revenue decreased from 2011 to 2013, it decreased by 2.44% from 2011 to 2012, 2.36% from 2012 to 2013. After that, Vonage Revenue increased; from 2013 to 2014 it increased by 4.8% and by 3.02% from 2014 to 2015. Although Revenue decreased from 2011 to 2013, in 2015 revenue were 2.85% higher than 2011.
- Gross Profit decreased by 7.02% from 2011 to 2012, increased slightly by 0.62% from 2012 to 2013 and by 8.44% from 2013 to 2014, after that a slightly decrease by 0.32%.
- Operating income decrease by 38.18% from 2011 to 2012, 16.41% from 2012 to 2013 and increased by 7.59% from 2013 to 2014, after the slightly increased, Operating income decreased by 8.78%.
- However, Net Income decreased significantly by 91.05% from 2011 to 2012. From 2012 to 2013 it decreased by 22.68%, 28.27% from 2013 to 2014 and increased by 11.82% from 2014 to 2015. From 2011 to 2015 Net income decreased by 94.45%.
 - The huge decline in Net income from 2011 to 2012 justification was Vonage in 2011 recognized a deferred tax assets resulting in a non-cash income tax benefit of more than \$320 million which impacted net income for 2012. The Company released its valuation allowance, which previously reduced its net deferred tax assets, resulting in a **one-time non-cash** income tax benefit of \$326 million and a corresponding net deferred tax asset of \$326 million on December 31, 2011. This accounting adjustment will not affect the cash taxes paid by the Company, which will continue to be substantially offset by net operating loss carry forwards.

Vonage Holdings acquisitions

- 3rd June 2016, Vonage Holdings acquires Nexmo Inc for \$250 million
- 1st September 2015, Vonage Holdings acquires iCore Networks Inc for \$92 Million
- 1st April 2015, Vonage Holdings acquires Simple Signal Inc for \$24.985 Million
- 15th December 2014, Vonage Holdings acquires Telesphere Networks Ltd for \$114.598 Million
- 18th November 2013, Vonage Holdings acquires Vocalocity Inc for \$130 Million

Technical Analysis



Resistance Level 1	Resistance Level 2	Resistance Level 3
5.9833	6.1467	6.2433
Support Level 1	Support Level 2	Support Level 3
5.7233	5.6267	5.4633

Pivot Point: 5.8867

Conclusion

In conclusion for Vonage Holdings report, we reviewed few important ratios and we took a quick look at Vonage Financial statements. However, investors must study the market before making any decision and also study the company's from different side this include (company fundamentals, ratios and technical...) after that the investor can identify his opportunities based on his/her valuation.



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Sources

-Thomson Reuters Eikon Platform

-www.investinganswers.com

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