

AVG Technologies N.V.
Form 20-F
April 26, 2012
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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

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

For the fiscal year ended December 31, 2011

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 _____

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
Class A Shares	16,200,000
Class B Shares	12,600,000
Class D Preferred Shares	12,000,000

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Class E Shares

7,000,000

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

The registrant is an emerging growth company that has not elected to take advantage of the extended transition period provided in section 13(a) of the Exchange Act for complying with new or revised accounting standards.

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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 U.S. GAAP, unless otherwise indicated.

In presenting and discussing our financial position, operating results and cash flows, management uses certain non-U.S. GAAP financial measures. These non-U.S. 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-U.S. 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-U.S. 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, 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. AV®, LinkScanner®, TuneUp 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 marks and those of other entities and 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.

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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 following consolidated statement of comprehensive income data for 2007 and consolidated balance sheet data as of December 31, 2007 and 2008 from our unaudited consolidated financial statements not included in this annual report, the following consolidated statement of comprehensive income data for 2008 and consolidated balance sheet data as of December 31, 2009 from our audited consolidated financial statements not included in this annual report and consolidated statement of comprehensive income data for 2009, 2010 and 2011 and consolidated balance sheet data as of December 31, 2010 and 2011 from our audited consolidated financial statements included elsewhere in this annual report. 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. 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.

	Year ended December 31,				
	2007	2008	2009	2010	2011
	(in thousands, except for share data and per share data)				
	(unaudited)				
Statement of Comprehensive Income Data and Other Operating Metrics:					
Revenue:					
Subscription	\$ 52,010	\$ 104,762	\$ 151,365	\$ 166,904	\$ 175,654
Platform-derived		9,079	30,603	50,314	96,738
Total revenue	52,010	113,841	181,968	217,218	272,392
Cost of revenue: ⁽¹⁾					
Subscription	14,611	24,458	30,112	26,686	23,374
Platform-derived			1,308	2,293	7,849
Total cost of revenue	14,611	24,458	31,420	28,979	31,223

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Gross profit	37,399	89,383	150,548	188,239	241,169
Operating expenses: ⁽¹⁾					
Sales and marketing	17,826	26,963	45,988	58,562	76,933
Research and development	6,190	13,725	19,533	23,364	35,008
General and administrative	9,763	18,997	24,404	40,683	60,710
Total operating expenses	33,779	59,685	89,925	122,609	172,651
Operating income	3,620	29,698	60,623	65,630	68,518
Other income (expense), net	(1,363)	1,313	(1,600)	1,722	(17,104)
Income (loss) before income taxes and loss from investment in equity affiliate					
	2,257	31,011	59,023	67,352	51,414
Benefit (provision) for income taxes	(506)	(1,643)	(6,538)	(9,394)	49,260
Loss from investment in equity affiliate				(46)	(242)
Net income (loss)	1,751	29,368	52,485	57,912	100,432
Preferred share dividends			(1,802)	(7,210)	(7,208)
Distributed and undistributed earnings to participating securities				(12,676)	(27,513)

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	2007 (unaudited)	Year ended December 31,			2011
		2008 (in thousands, except for share data and per share data)	2009	2010	
Net income available to ordinary shareholders ^{bas1} (2)	\$ 1,751	\$ 29,368	\$ 50,683	\$ 38,026	\$ 65,711
Earnings per ordinary share ^{bas1} (2)(3)	\$ 0.04	\$ 0.65	\$ 1.19	\$ 1.06	\$ 1.83
Earnings per ordinary share ^{bas1} (2)(3) diluted	\$ 0.04	\$ 0.62	\$ 1.09	\$ 0.99	\$ 1.69
Weighted-average ordinary shares outstanding ^{bas1} (3)	45,000,000	45,000,000	42,750,000	36,000,000	36,000,000
Weighted-average ordinary shares outstanding ^{bas1} (3) diluted	46,489,256	47,423,334	48,155,490	38,585,664	38,974,953

- (1) We have recognized employee share-based compensation in the consolidated statements of comprehensive income for the periods indicated as follows:

	Year ended December 31,		
	2009	2010	2011
	(in thousands)		
Cost of revenue	\$ 178	\$ 61	\$ 21
Sales and marketing	2,520	2,049	949
Research and development	1,108	1,008	1,116
General and administrative	4,483	3,655	4,310
Total share based compensation expense	\$ 8,289	\$ 6,773	\$ 6,396

- (2) During the 2011 fiscal year the Company had 12 million Class D preferred shares which were entitled to a preference dividend of approximately \$1.8 million per calendar quarter, as well as their pro rata amount of net income assuming distribution to each separate class of shareholder. These shares were excluded from calculations of ne