Mimecast Ltd
Form 10-Q
August 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

OR

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

For the transition period from __________________ to __________________

Commission File Number: 001-37637

MIMECAST LIMITED

(Exact Name of Registrant as Specified in its Charter)

Bailiwick of Jersey	Not applicable
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
CityPoint, One Ropemaker Street, Moorgate	EC2Y 9AW

London EC2Y 9AW

United Kingdom
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (781) 996-5340

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) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a small reporting company)	Small reporting company
		Emerging growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2018, the registrant had 59,709,848 shares of common stock, $0.012 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

MIMECAST LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

(unaudited)

	As of June 30, 2018	As of March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$107,530	$78,339
Short-term investments	41,958	58,871
Accounts receivable, net	56,677	65,392
Deferred contract costs, net	5,530	—
Prepaid expenses and other current assets	13,300	15,302
Total current assets	224,995	217,904
Property and equipment, net	124,117	123,822
Intangible assets, net	8,557	9,819
Goodwill	5,602	5,631
Deferred contract costs, net of current portion	19,817	—
Other assets	1,463	1,222
Total assets	$384,551	$358,398
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$4,530	$6,052
Accrued expenses and other current liabilities	33,145	33,878
Deferred revenue	120,612	123,057
Current portion of capital lease obligations	1,154	1,125
Total current liabilities	159,441	164,112
Deferred revenue, net of current portion	12,002	18,045
Long-term capital lease obligations	2,142	2,390
Construction financing lease obligation	69,613	67,205
Other non-current liabilities	4,300	4,954
Total liabilities	247,498	256,706
Commitments and contingencies (Note 13)		

Shareholders' equity		
Ordinary shares, $0.012 par value, 300,000,000 shares authorized; 59,599,656 and 58,949,644 shares issued and outstanding as of June 30, 2018 and March 31, 2018, respectively	715	707
Additional paid-in capital	223,891	212,839
Accumulated deficit	(80,102)	(106,507)
Accumulated other comprehensive loss	(7,451)	(5,347)
Total shareholders' equity	137,053	101,692
Total liabilities and shareholders' equity	$384,551	$358,398

The accompanying notes are an integral part of these condensed consolidated financial statements.

MIMECAST LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three months ended June 30, 2018	2017
Revenue	$78,404	$58,158
Cost of revenue	20,976	15,252
Gross profit	57,428	42,906
Operating expenses		
Research and development	13,100	7,921
Sales and marketing	34,203	27,559
General and administrative	12,214	8,537
Total operating expenses	59,517	44,017
Loss from operations	(2,089)	(1,111)
Other income (expense)		
Interest income	444	239
Interest expense	(527)	(31)
Foreign exchange expense and other, net	(441)	(540)
Total other income (expense), net	(524)	(332)
Loss before income taxes	(2,613)	(1,443)
Provision for income taxes	858	457
Net loss	$(3,471)	$(1,900)
Net loss per ordinary share		
Basic and diluted	$(0.06)	$(0.03)
Weighted-average number of ordinary shares outstanding:		
Basic and diluted	59,175	56,292

The accompanying notes are an integral part of these condensed consolidated financial statements.

MIMECAST LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(unaudited)

	Three months ended June 30,	
	2018	2017
Net loss	$(3,471)	$(1,900)
Other comprehensive (loss) income:		
Net unrealized gains (losses) on investments, net of tax	64	(66)
Change in foreign currency translation adjustment	(2,168)	232
Reclassification of cumulative translation adjustment to net loss upon liquidation of subsidiaries, net of tax	—	188
Total other comprehensive (loss) income	(2,104)	354
Comprehensive loss	$(5,575)	$(1,546)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MIMECAST LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three months ended June 30, 2018	2017
Operating activities		
Net loss	$(3,471)	$(1,900)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,926	3,609
Share-based compensation expense	5,181	2,646
Amortization of deferred contract costs	1,386	—
Other non-cash items	(19)	84
Unrealized currency (gain) loss on foreign denominated transactions	(111)	383
Changes in assets and liabilities:		
Accounts receivable	6,079	4,429
Prepaid expenses and other current assets	1,569	436
Deferred contract costs	(3,835)	—
Other assets	(98)	(6)
Accounts payable	108	1,276
Deferred revenue	2,521	2,244
Accrued expenses and other liabilities	398	(1,563)
Net cash provided by operating activities	16,634	11,638
Investing activities		
Purchases of investments	—	(15,531)
Maturities of investments	17,000	15,500
Purchases of property, equipment and capitalized software	(7,575)	(7,730)
Net cash provided by (used in) investing activities	9,425	(7,761)
Financing activities		
Proceeds from issuance of ordinary shares	5,904	3,445
Payments on debt	—	(533)
Payments on capital lease obligations	(203)	—
Payments on construction financing lease obligation	(413)	—
Net cash provided by financing activities	5,288	2,912
Effect of foreign exchange rates on cash	(2,156)	881
Net increase in cash and cash equivalents	29,191	7,670
Cash and cash equivalents at beginning of period	78,339	51,319
Cash and cash equivalents at end of period	$107,530	$58,989
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$517	$21

Cash paid during the period for income taxes	$37	$105
Supplemental disclosure of non-cash investing and financing activities		
Unpaid purchases of property, equipment and capitalized software	$1,168	$2,951
Property and equipment acquired under capital lease	$—	$3,109
Construction costs capitalized under financing lease obligations	$2,991	$9,433

The accompanying notes are an integral part of these condensed consolidated financial statements.

MIMECAST LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data, unless otherwise noted)

(unaudited)

1. Organization and Basis of Presentation

Mimecast Limited (Mimecast Jersey) is a public limited company organized under the laws of the Bailiwick of Jersey on July 28, 2015. On November 4, 2015, Mimecast Jersey changed its corporate structure whereby it became the holding company of Mimecast Limited (Mimecast UK), a private limited company incorporated in 2003 under the laws of England and Wales, and its wholly-owned subsidiaries by way of a share-for-share exchange in which the shareholders of Mimecast UK exchanged their shares in Mimecast UK for an identical number of shares of the same class in Mimecast Jersey. Upon the exchange, the historical consolidated financial statements of Mimecast UK became the historical consolidated financial statements of Mimecast Jersey.

Mimecast Jersey and its subsidiaries (together the Group, the Company, Mimecast or we) is headquartered in London, England. The principal activity of the Group is the provision of email management services. Mimecast delivers a software-as-a-service (SaaS) enterprise email management service for archiving, continuity, and security. By unifying disparate and fragmented email environments into one holistic solution from the cloud, Mimecast minimizes risk and reduces cost and complexity while providing total end-to-end control of email. Mimecast's proprietary software platform provides a single system to address key email management issues. Mimecast operates principally in Europe, North America, Africa, and Australia.

The Company is subject to a number of risks and uncertainties common to companies in similar industries and stages of development including, but not limited to, rapid technological changes, competition from substitute products and services from larger companies, customer concentration, management of international activities, protection of proprietary rights, patent litigation, and dependence on key individuals.

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited. These financial statements and notes should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2018 and related notes, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on May 29, 2018.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (GAAP) have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the unaudited condensed consolidated financial statements and notes have been prepared on the same basis as the audited consolidated financial statements for the year ended March 31, 2018 contained in the Company's Annual Report on Form 10-K and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position as of June 30, 2018, and for the three months ended June 30, 2018 and 2017. These interim periods are not necessarily indicative of the results to be expected for any other interim period or the full year.

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the condensed consolidated financial statements. As of June 30, 2018, the Company’s significant accounting policies and estimates, which are detailed in the Company’s Annual Report on Form 10-K, have not changed, except as discussed below.

Revenue Recognition

Adoption of ASC 606

Effective April 1, 2018, the Company adopted the requirements of ASU No. 2014-09, Revenue from Contracts with Customers: Topic 606 (ASU 2014-09 or ASC 606) under the modified retrospective method of transition which was applied to all customer contracts that were not completed on the effective date of ASC 606. The Company implemented internal controls and key system functionality to enable the preparation of financial information on adoption. The adoption of ASC 606 resulted in changes to the Company’s accounting policies for revenue recognition previously recognized under ASC 605 (Legacy GAAP), as detailed below.

Revenue Recognition Policy

Under ASC 606 the Company recognizes revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. To achieve the core principle of ASC 606, the Company performs the following steps:

1) Identify the contract(s) with a customer;

2) Identify the performance obligations in the contract;

3) Determine the transaction price;

4) Allocate the transaction price to the performance obligations in the contract; and

5) Recognize revenue when (or as) we satisfy a performance obligation.

The Company derives its revenue from two sources: (1) subscription revenues, which are comprised of subscription fees from customers accessing the Company’s cloud services and from customers purchasing additional support beyond the standard support that is included in the basic subscription fees; and (2) related professional services and other revenue, which consists primarily of certain performance obligations related to set-up, ingestion, consulting and training fees.

In the three months ended June 30, 2018 and 2017, subscription revenue made up the substantial majority of the Company’s revenue and professional services and other revenue made up less than 5% of the Company’s revenue.

The Company’s subscription arrangements provide customers the right to access the Company’s hosted software applications. Customers do not have the right to take possession of the Company’s software during the hosting arrangement.

The Company sells its products and services directly through the Company’s sales force and also indirectly through third-party resellers. In accordance with the provisions of ASC 606, the Company has considered certain factors in determining whether the end-user or the third-party reseller is the customer in arrangements involving resellers. The Company concluded that in the majority of transactions with resellers, the reseller is the customer. In these arrangements, the Company considered that it is the reseller, and not the Company, that has the relationship with the end-user. Specifically, the reseller has the ability to set pricing with the end-user and the credit risk with the end-user is borne by the reseller. Further, the reseller is not obligated to report its transaction price with the end-user to the Company, and in the majority of transactions, the Company is unable to determine the amount paid by the end-user customer to the reseller in these transactions. As a result of such considerations, revenue for these transactions is presented in the accompanying condensed consolidated statements of operations based upon the amount billed to the reseller. For transactions where we have determined that the end-user is the ultimate customer, revenue is presented in the accompanying condensed consolidated statements of operations based on the transaction price with the end-user.

The Company recognizes subscription and support revenue ratably over the term of the contract, typically one year in duration, beginning on the date the customer is provided access to the Company’s service. For performance obligations related to set-up and ingestion, including implementation assistance and data services, respectively, the Company recognizes revenue using output measures of performance that reflect the transfer of promised services to the customer consistent with progress to completion. The Company recognizes revenue on training, consulting, and other professional services contracts using output measures of performance as services are completed. Training, consulting, and other professional services are considered separate performance obligations.

Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. The Company primarily bills and collects payments from customers for its services in advance on a monthly and annual basis.

In some instances, the Company receives non-refundable upfront payments for activities that do not constitute a promise to transfer a service and therefore are considered administrative tasks, not separate performance obligations. The upfront payments are evaluated to determine whether a material right to a discount upon renewal of the subscription exists. When the Company concludes a material right does not exist, the Company recognizes revenue related to the upfront payment over the initial contract term. When the Company concludes a material right does exist, the Company recognizes revenue related to the upfront payment over the estimated customer benefit period, which has been determined to be six years.

All of the Company’s performance obligations, and associated revenue, are generally transferred to customers over time, with the exception of training, consulting and other professional services, which are generally transferred to the customer at a point in time.

Revenue is presented net of any taxes collected from customers.

Some of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines the standalone selling prices based on the Company's overall pricing objectives, taking into consideration market conditions and other factors, including the value of the Company's contracts, the products sold, customer demographics, the Company's sales channel, and the number and size of users within the Company's contracts.

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscription and other services described above and is recognized as the revenue recognition criteria are met. Deferred revenue that is expected to be recognized during the succeeding twelve-month period is recorded as current deferred revenue and the remaining portion is recorded as non-current in the accompanying condensed consolidated balance sheets.

Deferred Cost Policy

As part of the Company's adoption of ASC 606, the Company capitalizes incremental costs of obtaining revenue contracts, which primarily consist of commissions paid to its sales representatives. The Company amortizes these commissions over six years on a systematic basis, consistent with the pattern of transfer of the goods or services to which the asset relates. Six years represents the estimated benefit period of the customer relationship taking into account factors such as peer estimates of technology lives and customer lives as well as the Company's own historical data. No commissions are paid related to contract renewals. The current and noncurrent portions of deferred commissions are included in deferred contract costs, net and deferred contract costs, net of current portion, respectively in its condensed consolidated balance sheets. Amortization of capitalized costs to obtain revenue contracts is included in sales and marketing expense in the accompanying condensed consolidated statements of operations.

Impact of Adoption of ASC 606

The adoption of ASC 606 resulted in a decrease to deferred revenue of $6.0 million and an increase of $23.8 million in deferred contract costs as of April 1, 2018. We recorded the deferred tax impact associated with the cumulative-effect adjustment of adopting ASC 606 to accumulated deficit with an equal and offsetting adjustment to our valuation allowance. The decrease to deferred revenue upon adoption was primarily due to a change in the accounting treatment for certain upfront fees that were accounted for as a single unit of account under Legacy GAAP and are accounted for as separate performance obligations under ASC 606. The increase in deferred contract costs was the result of the capitalization of certain commissions that were determined to be incremental costs of obtaining a contract. Under Legacy GAAP, the Company expensed all commission costs as incurred.

As a result of the adoption, the Company recorded an increase to accumulated deficit of $29.9 million as of April 1, 2018, which was the net cumulative impact associated with the capitalization of sales commissions and the adjustment to deferred revenue.

The cumulative effect of the changes made to our April 1, 2018 balance sheet for the adoption of ASC 606 were as follows:

	Balance as of March 31, 2018	Adjustments Due to Adoption of ASC 606	Balance as of April 1, 2018
Assets			
Deferred contract costs, net	$—	$ 5,494	$5,494
Deferred contract costs, net of current portion	—	18,339	18,339
Liabilities			
Deferred revenue	123,057	(517)	122,540
Deferred revenue, net of current portion	18,045	(5,526)	12,519
Shareholders' equity			
Accumulated deficit	(106,507)	29,876	(76,631)

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In accordance with the requirements of ASC 606, the disclosure for the quantitative effect and the significant changes between the reported results under ASC 606 and those that would have been reported under Legacy GAAP on our unaudited condensed consolidated income statement and balance sheet was as follows:

	Three months ended June 30, 2018		
	As Reported - ASC 606	Amounts without Adoption of ASC 606	Effect of Change Increase/(Decrease)
Income Statement			
Revenues	$78,404	$78,108	$ 296
Operating expenses			
Sales and marketing	(34,203)	(36,467)	(2,264)
Net loss	$(3,471)	$(6,031)	$ 2,560

	As of June 30, 2018		
	As Reported - ASC 606	Balances without Adoption of ASC 606	Effect of Change Increase/(Decrease)
Balance Sheet			
Assets			
Deferred contract costs, net	$5,530	$—	$ 5,530
Deferred contract costs, net of current portion	19,817	—	19,817
Liabilities			
Deferred revenue	120,612	120,553	59
Deferred revenue, net of current portion	12,002	18,217	(6,215)
Shareholders' equity			
Accumulated deficit	(80,102)	(107,418)	27,316

Revenue recognized during the three months ended June 30, 2018 from amounts included in deferred revenue at the beginning of the period was approximately $50.8 million. Revenue recognized during the three months ended June 30, 2018 from performance obligations satisfied or partially satisfied in previous periods was immaterial.

The adoption of ASC 606 had no impact to net operating cash flows.

Contracted revenue as of June 30, 2018 that has not yet been recognized (“contracted not recognized”) was $82.7 million, which includes deferred revenue and non-cancellable amounts that will be invoiced and recognized as revenue in future periods and excludes contracts with an original expected length of one year or less. The Company expects 52% of contracted and not recognized revenue to be recognized over the next twelve months, 44% in years two and three, with the remaining balance recognized thereafter.

2. Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

3. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the reporting period.

Significant estimates relied upon in preparing these condensed consolidated financial statements include revenue recognition, variable consideration, intangible asset valuations, amortization periods, expected future cash flows used to evaluate the recoverability of long-lived assets, contingent liabilities, construction financing lease obligations, restructuring liabilities, expensing and capitalization of research and development costs for internal-use software, the determination of the fair value of share-based awards issued, the average period of benefit associated with costs capitalized to obtain revenue contracts and the recoverability of the Company’s net deferred tax assets and related valuation allowance.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. Changes in estimates are recorded in the period in which they become known.

4. Subsequent Events Considerations

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. The Company has evaluated all subsequent events. Refer to Note 17.

5. Concentration of Credit Risk and Off-Balance Sheet Risk

The Company has no off-balance sheet risk, such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents, investments and accounts receivable. The Company maintains its cash, cash equivalents and investments with major financial institutions of high-credit quality. Although the Company deposits its cash with multiple financial institutions, its deposits, at times, may exceed federally insured limits.

Credit risk with respect to accounts receivable is dispersed due to our large number of customers. The Company's accounts receivable are derived from revenue earned from customers primarily located in the United States, the United Kingdom and South Africa. The Company generally does not require its customers to provide collateral or other security to support accounts receivable. Credit losses historically have not been significant and the Company generally has not experienced any material losses related to receivables from individual customers, or groups of customers. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable. As of June 30, 2018 and March 31, 2018, no individual customer represented more than 10% of our accounts receivable. During the three months ended June 30, 2018 and 2017, no individual customer represented more than 10% of our revenue.

As of June 30, 2018, our investments consist primarily of investment-grade fixed income corporate debt securities with maturities ranging from less than 1 month to 5 months, non-U.S. government securities with maturities in approximately 3 months and U.S. treasury securities with maturities in approximately 1 month. We diversify our investment portfolio by investing in multiple types of investment-grade securities and attempt to mitigate a risk of loss by using a third-party investment manager.

6. Cash, Cash Equivalents and Investments

The Company considers all highly liquid instruments purchased with an original maturity date of 90 days or less from the date of purchase to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks, amounts held in interest-bearing money market funds and investments with maturities of 90 days or less from the date of purchase. Cash equivalents are carried at cost, which approximates their fair market value. Investments not classified as cash equivalents are presented as either short-term or long-term investments based on both their stated maturities as well as the time period the Company intends to hold such securities. The Company determines the appropriate classification of investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company adjusts the cost of investments for amortization of premiums and accretion of discounts to maturity. The Company includes such amortization and accretion in interest income.

The Company has classified all of its investments as of June 30, 2018, as available-for-sale pursuant to Accounting Standard Codification (ASC) 320, Investments – Debt and Equity Securities. The Company records available-for-sale securities at fair value, with unrealized gains and losses included in accumulated other comprehensive loss in shareholders' equity. The Company includes interest and dividends on securities classified as available-for-sale in interest income. Realized gains and losses are recorded in the condensed consolidated statements of operations and comprehensive loss based on the specific-identification method. There were no realized gains or losses on investments for the three months ended June 30, 2018 and 2017.

The Company reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than its amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. Other-than-temporary impairments of investments are recognized in the condensed consolidated statements of operations if the Company has experienced a credit loss, has the intent to sell the investment, or if it is more likely than not that the Company will be required to sell the investment before recovery of the amortized cost basis. Evidence considered in this assessment includes reasons for the impairment, compliance with the Company's investment policy, the severity and the duration of the impairment and changes in value subsequent to the end of the period. The aggregate fair value of investments held by the Company in an unrealized loss position for less than twelve months as of June 30, 2018, was $19.0 million. As of June 30, 2018, the Company determined that no other-than-temporary impairments were required to be recognized in the condensed consolidated statements of operations.

The following is a summary of cash, cash equivalents and investments as of June 30, 2018 and March 31, 2018:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2018:				
Cash and cash equivalents due in 90 days or less	$ 107,530	$ —	$ —	$ 107,530
Investments:				
U.S. treasury securities due in one year or less	3,000	1	—	3,001
Non-U.S. government securities due in one year or less	2,999	—	—	2,999
Corporate securities due in one year or less	35,984	24	(50)	35,958
Total investments	41,983	25	(50)	41,958
Total cash, cash equivalents and investments	$ 149,513	$ 25	$ (50)	$ 149,488

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2018:				
Cash and cash equivalents due in 90 days or less	$ 78,339	$ —	$ —	$ 78,339
Investments:				
U.S. treasury securities due in one year or less	2,995	—	(5)	2,990
Non-U.S. government securities due in one year or less	5,996	1	(1)	5,996
Corporate securities due in one year or less	49,969	8	(92)	49,885
Total investments	58,960	9	(98)	58,871
Total cash, cash equivalents and investments	$ 137,299	$ 9	$ (98)	$ 137,210

7. Disclosure of Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, accounts receivable, investments, accounts payable, accrued expenses and capital lease obligations. The carrying amount of the Company's capital lease obligation approximates its fair values due to the interest rates the Company believes it could obtain for borrowings with similar terms. The Company's investments are classified as available-for-sale and reported at fair value in accordance with the market approach utilizing quoted prices that were directly or indirectly observable. The carrying amount of the remainder of the Company's financial instruments approximated their fair values as of June 30, 2018 and March 31, 2018, due to the short-term nature of those instruments.

The Company has evaluated the estimated fair value of financial instruments using available market information. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts.

Fair values determined using “Level 1 inputs” utilize unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Fair values determined using “Level 2 Inputs” utilize quoted prices that are directly or indirectly observable. Fair values determined using “Level 3 inputs” utilize unobservable inputs for determining fair values of assets or liabilities that reflect an entity's own assumptions in pricing assets or liabilities. As of June 30, 2018 and March 31, 2018, we did not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

The Company measures eligible assets and liabilities at fair value, with changes in value recognized in earnings. Fair value treatment may be elected either upon initial recognition of an eligible asset or liability or, for an existing asset or liability, if an event triggers a new basis of accounting. The Company did not elect to remeasure any of its existing financial assets or liabilities, and did not elect the fair value option for any financial assets and liabilities transacted in the three months ended June 30, 2018 and 2017.

The following table summarizes financial assets measured and recorded at fair value on a recurring basis in the accompanying condensed consolidated balance sheets as of June 30, 2018 and March 31, 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2018		
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Total
Assets:			
Money market funds	$6,091	$ —	$6,091
U.S. treasury securities	—	3,001	3,001
Non-U.S. government securities	—	2,999	2,999