

BOINGO WIRELESS INC  
Form 10-Q  
November 12, 2013  
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 10-Q

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

For the quarterly period ended September 30, 2013

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: 001-35155

**BOINGO WIRELESS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**95-4856877**

(I.R.S. Employer  
Identification No.)

**10960 Wilshire Blvd., Suite 800**

**Los Angeles, California**

(Address of principal executive offices)

**90024**

(Zip Code)

**(310) 586-5180**

(Registrant's telephone number, including area code)

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 or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

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 November 1, 2013, there were 35,519,409 shares of the registrant's common stock outstanding

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Boingo Wireless, Inc.****Condensed Consolidated Balance Sheets****(Unaudited)****(In thousands, except per share amounts)**

|  | September 30,<br>2013 | December 31,<br>2012 |
|--|-----------------------|----------------------|
| <b>Assets</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$ 44,746             | \$ 58,138            |
| Restricted cash  | 30                    | 30                   |
| Marketable securities  | 36,493                | 41,558               |
| Accounts receivable, net   | 13,034                | 10,977               |
| Prepaid expenses and other current assets  | 6,680                 | 2,072                |
| Deferred tax assets  | 1,199                 | 1,204                |
| Total current assets   | 102,182               | 113,979              |
| Property and equipment, net  | 54,605                | 42,411               |
| Goodwill   | 33,045                | 26,744               |
| Intangible assets, net   | 15,522                | 10,594               |
| Deferred tax assets  | 1,195                 | 4,256                |
| Other assets   | 3,262                 | 4,548                |
| Total assets   | \$ 209,811            | \$ 202,532           |
| <b>Liabilities and stockholders equity</b>   |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable   | \$ 6,478              | \$ 4,990             |
| Accrued expenses and other liabilities   | 11,756                | 11,019               |
| Deferred revenue   | 17,908                | 17,329               |
| Total current liabilities  | 36,142                | 33,338               |
| Deferred revenue, net of current portion   | 24,903                | 24,123               |
| Other liabilities  | 1,913                 | 572                  |
| Total liabilities  | 62,958                | 58,033               |
| Commitments and contingencies (Note 9)   |                       |                      |
| Stockholders equity:   |                       |                      |
| Preferred stock, \$0.0001 par value; 5,000 shares authorized; no shares issued and outstanding   |                       |                      |
| Common stock, \$0.0001 par value; 100,000 shares authorized; 35,495 and 35,483 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively | 4                     | 4                    |
| Additional paid-in capital   | 184,417               | 178,219              |
| Accumulated deficit  | (38,269)              | (34,547)             |

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|  |            |            |
|--|------------|------------|
| Total common stockholders' equity          | 146,152    | 143,676    |
| Non-controlling interests                  | 701        | 823        |
| Total stockholders' equity                 | 146,853    | 144,499    |
| Total liabilities and stockholders' equity | \$ 209,811 | \$ 202,532 |

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

Table of Contents**Boingo Wireless, Inc.****Condensed Consolidated Statements of Operations****(Unaudited)****(In thousands, except per share amounts)**

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2013                                | 2012      | 2013                               | 2012      |
| Revenue  | \$ 28,607                           | \$ 26,017 | \$ 77,980                          | \$ 74,506 |
| Costs and operating expenses:  |                                     |           |                                    |           |
| Network access   | 13,670                              | 10,061    | 34,375                             | 29,577    |
| Network operations   | 4,495                               | 3,693     | 13,199                             | 10,895    |
| Development and technology   | 2,622                               | 2,300     | 8,484                              | 7,792     |
| Selling and marketing  | 3,294                               | 2,567     | 10,106                             | 7,237     |
| General and administrative   | 3,201                               | 2,971     | 11,502                             | 9,455     |
| Amortization of intangible assets  | 541                                 | 296       | 1,456                              | 778       |
| Total costs and operating expenses   | 27,823                              | 21,888    | 79,122                             | 65,734    |
| Income (loss) from operations  | 784                                 | 4,129     | (1,142)                            | 8,772     |
| Interest and other (expense) income, net   | (2)                                 | 33        | 70                                 | 170       |
| Income (loss) before income taxes  | 782                                 | 4,162     | (1,072)                            | 8,942     |
| Income tax expense (benefit)   | 258                                 | 1,101     | (382)                              | 2,468     |
| Net income (loss)  | 524                                 | 3,061     | (690)                              | 6,474     |
| Net income attributable to non-controlling interests   | 170                                 | 284       | 476                                | 579       |
| Net income (loss) attributable to common stockholders  | \$ 354                              | \$ 2,777  | \$ (1,166)                         | \$ 5,895  |
| Net income (loss) per share attributable to common stockholders:   |                                     |           |                                    |           |
| Basic  | \$ 0.01                             | \$ 0.08   | \$ (0.03)                          | \$ 0.17   |
| Diluted  | \$ 0.01                             | \$ 0.07   | \$ (0.03)                          | \$ 0.16   |
| Weighted average shares used in computing net income (loss) per share attributable to common stockholders: |                                     |           |                                    |           |
| Basic  | 35,593                              | 35,080    | 35,620                             | 34,618    |
| Diluted  | 37,129                              | 37,337    | 35,620                             | 37,324    |

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

Table of Contents**Boingo Wireless, Inc.****Condensed Consolidated Statement of Stockholders Equity****(Unaudited)****(In thousands)**

|  | <b>Common<br/>Stock<br/>Shares</b> | <b>Common<br/>Stock<br/>Amount</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Accumulated<br/>Deficit</b> | <b>Non-<br/>controlling<br/>Interests</b> | <b>Total<br/>Stockholders<br/>Equity</b> |
|--|------------------------------------|------------------------------------|---|--------------------------------|---|--|
| Balance at December 31, 2012                               | 35,483                             | \$ 4                               | \$ 178,219                                | \$ (34,547)                    | \$ 823                                    | \$ 144,499                               |
| Issuance of common stock upon<br>exercise of stock options | 374                                |                                    | 540                                       |                                |   | 540                                      |
| Repurchase and retirement of<br>common stock               | (362)                              |                                    |   | (2,556)                        |   | (2,556)                                  |
| Stock-based compensation<br>expense                        |                                    |                                    | 3,199                                     |                                |   | 3,199                                    |
| Excess tax benefits from<br>stock-based compensation       |                                    |                                    | 2,459                                     |                                |   | 2,459                                    |
| Non-controlling interests<br>distributions                 |                                    |                                    |   |                                | (598)                                     | (598)                                    |
| Net (loss) income  |                                    |                                    |   | (1,166)                        | 476                                       | (690)                                    |
| Balance at September 30, 2013                              | 35,495                             | \$ 4                               | \$ 184,417                                | \$ (38,269)                    | \$ 701                                    | \$ 146,853                               |

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

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## Boingo Wireless, Inc.

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

|  | Nine Months Ended<br>September 30, |           |
|--|------------------------------------|-----------|
|  | 2013                               | 2012      |
| <b>Cash flows from operating activities</b>  |                                    |           |
| Net (loss) income  | \$ (690)                           | \$ 6,474  |
| Adjustments to reconcile net (loss) income including non-controlling interests to net cash provided by operating activities: |                                    |           |
| Depreciation and amortization of property and equipment  | 13,611                             | 11,672    |
| Amortization of intangible assets  | 1,456                              | 778       |
| Stock-based compensation   | 3,199                              | 2,163     |
| Excess tax benefits from stock-based compensation  | (1,796)                            | (1,041)   |
| Change in deferred income taxes  | 5                                  | (420)     |
| Changes in operating assets and liabilities, net of effect of acquisition:   |                                    |           |
| Accounts receivable  | (2,057)                            | (3,382)   |
| Prepaid expenses and other assets  | (296)                              | 1,767     |
| Accounts payable   | (509)                              | (821)     |
| Accrued expenses and other liabilities   | (1,695)                            | (3,552)   |
| Deferred revenue   | 1,332                              | 3,596     |
| Net cash provided by operating activities  | 12,560                             | 17,234    |
| <b>Cash flows from investing activities</b>  |                                    |           |
| Purchases of marketable securities   | (33,399)                           | (52,232)  |
| Proceeds from sales of marketable securities   | 38,464                             | 15,013    |
| Purchases of property and equipment  | (19,150)                           | (15,755)  |
| Payments for business acquisition, net of cash acquired  | (4,874)                            | (3,185)   |
| Other  |                                    | (14)      |
| Net cash used in investing activities  | (18,959)                           | (56,173)  |
| <b>Cash flows from financing activities</b>  |                                    |           |
| Excess tax benefits from stock-based compensation  | 1,796                              | 1,041     |
| Proceeds from exercise of stock options  | 540                                | 2,125     |
| Repurchase and retirement of common stock  | (2,556)                            |           |
| Payments of capital leases and notes payable   | (96)                               | (190)     |
| Payments of acquired notes payable and financed liabilities  | (6,079)                            |           |
| Payments to non-controlling interests  | (598)                              | (620)     |
| Net cash (used in) provided by financing activities  | (6,993)                            | 2,356     |
| Net decrease in cash and cash equivalents  | (13,392)                           | (36,583)  |
| Cash and cash equivalents at beginning of period   | 58,138                             | 93,933    |
| Cash and cash equivalents at end of period   | \$ 44,746                          | \$ 57,350 |
| <b>Supplemental disclosure of cash flow information</b>  |                                    |           |
| Cash paid for taxes  | \$ 54                              | \$ 650    |
| <b>Supplemental disclosure of non-cash investing and financing activities</b>  |                                    |           |
| Property and equipment and software maintenance costs in accounts payable, accrued expenses and other liabilities            | 4,679                              | 4,129     |
| Assets acquired in business acquisition  | 17,317                             |           |
| Liabilities assumed in business acquisition  | 12,443                             |           |



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

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**Boingo Wireless, Inc.**

**Notes to the Condensed Consolidated Financial Statements**

**(Unaudited)**

**(In thousands, except shares and per share amounts)**

**1. The business**

Boingo Wireless, Inc. and its subsidiaries (collectively we, us, our or the Company) is a leading global provider of mobile Wi-Fi Internet solutions. Our solutions enable individuals to access our extensive global Wi-Fi network with devices such as smartphones, laptops and tablet computers. Boingo Wireless, Inc. was incorporated on April 16, 2001 in the State of Delaware. We have direct customer relationships with users who have purchased our mobile Internet services, and we provide solutions to our partners which include telecom operators, cable companies, technology companies, enterprise software and services companies, and communications companies to allow their millions of users to connect to the mobile Internet through hotspots in our network.

**2. Summary of significant accounting policies**

**Basis of presentation**

The accompanying interim unaudited condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2013 and 2012 are unaudited. The unaudited interim condensed consolidated financial information has been prepared in accordance with the rules and regulations of the SEC for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) in the United States of America (U.S.) for complete financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2012 contained in our annual report on Form 10-K filed with the SEC on March 18, 2013. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and in the opinion of management, reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our results of operations for the three and nine months ended September 30, 2013 and 2012, our results of cash flows for the nine months ended September 30, 2013 and 2012, and our financial position as of September 30, 2013. The year-end balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by GAAP. Interim results are not necessarily indicative of the results to be expected for an entire year or any other future year or interim period.

During the nine months ended September 30, 2013, the Company recorded certain out-of-period adjustments that decreased net loss attributable to common stockholders by \$217. The impact of these out-of-period adjustments is not considered material, individually and in the aggregate, to any of the current or prior quarterly or annual periods.

**Principles of consolidation**

The unaudited condensed consolidated financial statements include our accounts and our majority owned subsidiaries. We consolidate our 70% ownership of Concourse Communications Detroit, LLC, our 70% ownership of Chicago Concourse Development Group, LLC and our 75% ownership of Boingo Holding Participacoes Ltda. in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 810, *Consolidation*. Other parties' interests in consolidated entities are reported as non-controlling interests. All intercompany balances and transactions have been eliminated in consolidation.

#### **Business combinations**

The results of businesses acquired in a business combination are included in the Company's condensed consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

The Company performs valuations of assets acquired and liabilities assumed for an acquisition and allocates the purchase price to its respective net tangible and intangible assets. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows, discount rates and selection of comparable companies. The Company engages the assistance of valuation specialists in concluding on fair value measurements in connection with fair values of assets and liabilities assumed in a business combination.

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Transaction costs associated with business combinations are expensed as incurred, and are included in general and administrative expenses in the condensed consolidated statements of operations. There were no significant transaction costs associated with business combinations for the three months ended September 30, 2013. Transaction costs associated with business combinations were \$192 for the nine months ended September 30, 2013.

**Segment information**

We operate as one reportable segment; a service provider of mobile Internet solutions across our managed and operated network and aggregated network for mobile devices such as laptops, smartphones and tablet computers. This single segment is consistent with the internal organization structure and the manner in which operations are reviewed and managed by our Chief Executive Officer, the chief operating decision maker.

Revenue is predominately generated and all significant long-lived tangible assets are held in the U.S. We do not disclose sales by geographic area because to do so would be impracticable. The following is a summary of our revenue by primary revenue source:

|                       | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|-----------------------|-------------------------------------|-----------|------------------------------------|-----------|
|                       | 2013                                | 2012      | 2013                               | 2012      |
| Revenue:              |                                     |           |                                    |           |
| Retail subscription   | \$ 8,860                            | \$ 8,621  | \$ 25,658                          | \$ 24,484 |
| Retail single-use     | 2,386                               | 3,304     | 7,802                              | 10,799    |
| Wholesale             | 14,328                              | 11,631    | 38,222                             | 34,837    |
| Advertising and other | 3,033                               | 2,461     | 6,298                              | 4,386     |
| Total revenue         | \$ 28,607                           | \$ 26,017 | \$ 77,980                          | \$ 74,506 |

**Marketable securities**

Our marketable securities consist of available-for-sale securities with original maturities exceeding three months. In accordance with FASB ASC 320, *Investments Debt and Equity Securities*, we have classified securities, which have readily determinable fair values and are highly liquid, as short-term because such securities are expected to be realized within a one-year period. At September 30, 2013 and December 31, 2012, we had \$36,493 and \$41,558, respectively, in short-term marketable securities and no long-term marketable securities.

Marketable securities are reported at fair value with the related unrealized gains and losses reported as other comprehensive income (loss) until realized or until a determination is made that an other-than-temporary decline in market value has occurred. No significant unrealized gains and losses have been reported during the periods presented. Factors considered by us in assessing whether an other-than-temporary impairment has occurred include the nature of the investment, whether the decline in fair value is attributable to specific adverse conditions affecting the investment, the financial condition of the investee, the severity and the duration of the impairment and whether we have the ability to hold the investment to maturity. When it is determined that an other-than-temporary impairment has occurred, the investment is written down to its market value at the end of the period in which it is determined that an other-than-temporary decline has occurred. The cost of marketable securities sold is based upon the specific identification method. Any realized gains or losses on the sale of investments are reflected as a component of interest and other (expense) income, net.

For the nine months ended September 30, 2013, we had no significant realized or unrealized gains or losses from investments in marketable securities classified as available-for-sale.

**Revenue recognition**

We generate revenue from several sources including: (i) retail customers under subscription plans for month-to-month network access that automatically renew, and retail single-use access from sales of hourly, daily or other single-use access plans, (ii) platform service arrangements with wholesale customers that provide software licensing, network access, and professional services fees, (iii) wholesale customers that are telecom operators under long-term contracts for access to our distributed antenna system ( DAS ) at our managed and operated locations, and (iv) display advertisements and sponsorships on our walled garden sign-in pages. Software licensed by our wholesale platform services customers can only be used during the term of the service arrangements and has no utility to them upon termination of the service arrangement.

We recognize revenue when an arrangement exists, services have been rendered, fees are fixed or determinable, no significant obligations remain related to the earned fees and collection of the related receivable is reasonably assured.

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Subscription fees from retail customers are paid monthly in advance and revenue is deferred for the portions of monthly recurring subscription fees collected in advance. We do not have a stated or published refund policy for our Wi-Fi service, although our customer service representatives will provide a refund on a case-by-case basis. These amounts are not significant and are recorded as contra-revenue in the period the refunds are made. Subscription fee revenue is recognized ratably over the subscription period. Revenue generated from retail single-use access is recognized when earned.

Services provided to wholesale partners under platform service arrangements generally contain several elements including: (i) a term license to use our software to access our Wi-Fi network, (ii) access fees for network usage, and (iii) professional services for software integration and customization and to maintain the Wi-Fi service. The term license, monthly minimum network access fees and professional services are billed on a monthly basis based upon predetermined fixed rates. Once the term license for integration and customization are delivered, the fees from the arrangement are recognized ratably over the remaining term of the platform service arrangement. The initial term of platform service license agreements is generally between two to five years and the agreements generally contain renewal clauses. Revenue for network access fees in excess of the monthly minimum amounts is recognized when earned. All elements within existing platform service arrangements are generally delivered and earned concurrently throughout the term of the respective service arrangement.

Revenue generated from access to our DAS networks consists of build-out fees and recurring access fees under certain long-term contracts with telecom operators. Build-out fees paid upfront are generally deferred and recognized ratably over the term of the estimated customer relationship period, once the build-out is complete. Minimum monthly access fees for usage of the DAS networks are non-cancellable and generally escalate on an annual basis. These minimum monthly access fees are recognized ratably over the term of the estimated customer relationship period. The initial term of our contracts with telecom operations and wholesale partners generally range from three to fifteen years and the agreements generally contain renewal clauses. Revenue from network access fees in excess of the monthly minimums is recognized when earned.

In instances where the minimum monthly network access fees escalate over the term of the wholesale service arrangement, an unbilled receivable is recognized when performance is within our control and when we have reasonable assurance that the unbilled receivable balance will be collected.

We adopted the provisions of Accounting Standards Update ( ASU ) 2009-13, *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements* ( ASU 2009-13 ), on a prospective basis on January 1, 2011. For multiple-deliverable arrangements entered into prior to January 1, 2011 that are accounted for under ASC 605-25, *Revenue Recognition Multiple-Deliverable Revenue Arrangements*, we defer recognition of revenue for the full arrangement and recognize all revenue ratably over the wholesale service period for platform service arrangements and the term of the estimated customer relationship period for DAS arrangements, as we do not have evidence of fair value for the undelivered elements in the arrangement. For multiple-deliverable arrangements entered into or materially modified after January 1, 2011 that are accounted for under ASC 605-25, we evaluate whether or not separate units of accounting exist and then allocate the arrangement consideration to all units of accounting based on the relative selling price method using estimated selling prices if vendor specific objective evidence and third party evidence is not available. We recognize the revenue associated with the separate units of accounting upon completion of such services or ratably over the wholesale service period for platform service arrangements and the term of the estimated customer relationship period for DAS arrangements.

Advertising and other revenue is recognized when the services are performed.

**Recent accounting pronouncements**

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ( ASU 2013-11 ). This ASU requires the netting of unrecognized tax benefits (UTBs) against a deferred tax asset for a loss or other carryforward that would apply in the settlement of the uncertain tax positions. The UTBs will be netted against all available same-jurisdiction loss or other tax carryforwards that would be utilized, rather than only against carryforwards that are created by the UTBs. ASU 2013-11 will require prospective application with optional retrospective application, and will be effective for reporting periods beginning after December 15, 2013. Early adoption is permitted. The adoption of this standard is not expected to have any impact on our financial statements as we currently present our UTBs as a reduction of our deferred tax assets for a loss or other carryforward rather than as a liability when the uncertain tax position would reduce the loss or other carryforward under the tax law.

In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ( ASU 2013-02 ). This ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income ( AOCI ) by component. In addition, an entity is required to present,

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either on the face of the statement where net income (loss) is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income (loss) but only if the amount reclassified is required under GAAP to be reclassified to net income (loss) in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income (loss), an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. ASU 2013-02 was effective prospectively for reporting periods beginning after December 15, 2012. We adopted this standard effective January 1, 2013. The adoption of this standard did not have any impact on our financial statements.

### 3. Acquisition

On February 22, 2013, we acquired all outstanding stock of Endeke Group, Inc. ( Endeke ). Endeke is a provider of commercial wireless broadband and Internet Protocol television (IPTV) services at certain military bases, as well as Wi-Fi services to certain federal law enforcement training facilities. We acquired Endeke because Endeke's portfolio of venues and management team are natural additions to our managed network business. We have included the operating results of Endeke in our condensed consolidated financial statements since the date of acquisition. The operating results for Endeke for the three and nine months ended September 30, 2013 is not material. The Endeke acquisition is not a significant acquisition for us and actual and pro forma financial statements have therefore not been included.

The acquisition has been accounted for under the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. As such, the assets acquired and liabilities assumed are recorded at their acquisition-date fair values. The total purchase price was \$6,623, which includes cash paid at closing, holdback consideration to be paid and additional contingent consideration comprised of two components: (i) a payment ( Build Payment ) if the amount of the capital expenditures incurred for the substantial completion of a specified build project is less than a target; and (ii) a payment ( Milestone Payment ) based on revenue generated by certain contracts in fiscal year 2014. There is no maximum to the contingent consideration payments for the Milestone Payment. We do not expect to make any payments associated with the Build Payment and the Milestone Payment will be paid by February 28, 2015.

The fair value of the contingent consideration is based on Level 3 inputs as defined in FASB ASC 820, *Fair Value Measurements and Disclosures*. Further changes in the fair value of the contingent consideration will be recorded through operating income (loss). We allocated the excess of the purchase price over the fair value of assets acquired and liabilities assumed to goodwill, which is not deductible for tax purposes. The goodwill arising from the Endeke acquisition is attributable primarily to expected synergies and other benefits, including the acquired workforce, from combining Endeke with us.

The deferred tax liabilities are provisional pending the filing of Endeke's 2012 and final short period 2013 tax returns. The contingent consideration was valued at the date of acquisition using a discounted cash flow method with probability weighted cash flows and a discount rate of 50.5%. The identifiable intangible assets were primarily valued using the excess earnings, relief from royalty, and replacement cost methods using discount rates ranging from 40.0% to 50.0% and royalty rates ranging from 0.5% to 1.5%, where applicable.



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The amortizable intangible assets are being amortized straight-line over their estimated useful lives. The following summarizes the preliminary purchase price allocation:

|  | Estimated Fair Value | Estimated Useful<br>Life (years) |
|--|----------------------|----------------------------------|
| <b>Consideration:</b>  |                      |                                  |
| Cash paid  | \$ 4,894             |                                  |
| Holdback consideration   | 400                  |                                  |
| Contingent consideration   | 1,329                |                                  |
| Total consideration  | \$ 6,623             |                                  |
| <b>Recognized amounts of identifiable assets acquired<br/>and liabilities assumed:</b> |                      |                                  |
| Cash   | \$ 20                |                                  |
| Other current assets   | 44                   |                                  |
| Property and equipment   | 4,617                |                                  |
| Other assets   | 12                   |                                  |
| Accounts payable   | (992)                |                                  |
| Other current liabilities  | (186)                |                                  |
| Notes payable and financed liabilities   | (6,476)              |                                  |
| Deferred tax liabilities   | (3,062)              |                                  |
| Net tangible liabilities acquired  | (6,023)              |                                  |
| Existing customer contracts and relationships  | 4,770                | 10.0                             |
| Technology   | 930                  | 6.0                              |
| Trademark and tradename  | 300                  | 10.0                             |
| Non-compete agreement  | 250                  | 2.0                              |
| Other intangibles  | 95                   | 10.0                             |
| Goodwill   | 6,301                |                                  |
| Total purchase price   | \$ 6,623             |                                  |

As of September 30, 2013, we had gross intangible assets of \$35,285 and accumulated amortization of \$19,763. As of December 31, 2012, we had gross intangible assets of \$28,905 and accumulated amortization of \$18,311. Based on current intangible assets, amortization expense for the three months ended December 31, 2013 will be \$521, and future amortization expense for the years ended December 31, 2014, 2015, 2016, 2017 and 2018 will be \$2,034, \$1,878, \$1,817, \$1,651, and \$1,444, respectively.

**4. Cash and cash equivalents**

Cash and cash equivalents consisted of the following:

|                                   | September 30,<br>2013 | December 31,<br>2012 |
|-----------------------------------|-----------------------|----------------------|
| <b>Cash and cash equivalents:</b> |                       |                      |
| Cash                              | \$ 2,619              | \$ 16,677            |
| Money market accounts             | 42,127                | 39,001               |
| Marketable securities             |                       | 2,460                |
| Total cash and cash equivalents   | \$ 44,746             | \$ 58,138            |

Marketable securities consist primarily of corporate securities which include commercial paper and corporate debt instruments including notes issued by foreign or domestic corporations which pay in U.S. dollars and carry a rating of A or better with original maturities of three months or less. For the nine months ended September 30, 2013 and 2012, interest income was \$145 and \$128, respectively, which is included in interest and other (expense) income, net in the accompanying condensed consolidated statements of operations.

Table of Contents**5. Property and equipment**

Property and equipment consisted of the following:

|   | September 30,<br>2013 | December 31,<br>2012 |
|---|-----------------------|----------------------|
| Leasehold improvements                          | \$ 85,516             | \$ 72,119            |
| Construction in progress                        | 12,599                | 6,295                |
| Computer equipment                              | 7,280                 | 7,493                |
| Software  | 9,848                 | 7,519                |
| Office equipment                                | 413                   | 411                  |
| Total property and equipment                    | 115,656               | 93,837               |
| Less: accumulated depreciation and amortization | (61,051)              | (51,426)             |
| Total property and equipment, net               | \$ 54,605             | \$ 42,411            |

Depreciation and amortization of property and equipment is allocated as follows in the accompanying condensed consolidated statements of operations:

|   | Three Months Ended |          | Nine Months Ended |           |
|---|--------------------|----------|-------------------|-----------|
|   | September 30,      |          | September 30,     |           |
|   | 2013               | 2012     | 2013              | 2012      |
| Network access  | \$ 3,058           | \$ 2,704 | \$ 9,140          | \$ 8,848  |
| Network operations  | 1,116              | 687      | 2,932             | 2,077     |
| Development and technology                                    | 507                | 375      | 1,395             | 656       |
| General and administrative                                    | 63                 | 32       | 144               | 91        |
| Total depreciation and amortization of property and equipment | \$ 4,744           | \$ 3,798 | \$ 13,611         | \$ 11,672 |

**6. Fair value measurement**

ASC 820 establishes a three-tiered hierarchy that draws a distinction between market participant assumptions based on (i) quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1); (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2); and (iii) unobservable inputs that require us to use present value and other valuation techniques in the determination of fair value (Level 3). The following table sets forth our financial assets and liabilities that are measured at fair value on a recurring basis:

| At September 30, 2013 | Level 1   | Level 2 | Level 3 | Total     |
|-----------------------|-----------|---------|---------|-----------|
| Assets:               |           |         |         |           |
| Cash equivalents      | \$ 42,127 | \$      | \$      | \$ 42,127 |
| Marketable securities |           | 36,493  |         | 36,493    |

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|                          |    |        |    |         |            |
|--------------------------|----|--------|----|---------|------------|
| Restricted cash          |    | 30     |    |         | 30         |
| Total assets             | \$ | 42,157 | \$ | 36,493  | \$ 78,650  |
| Liabilities:             |    |        |    |         |            |
| Contingent consideration | \$ |        | \$ | (1,269) | \$ (1,269) |
| Total liabilities        | \$ |        | \$ | (1,269) | \$ (1,269) |

| At December 31, 2012  |    | Level 1 |    | Level 2 |    | Total  |
|-----------------------|----|---------|----|---------|----|--------|
| Assets:               |    |         |    |         |    |        |
| Cash equivalents      | \$ | 39,001  | \$ | 2,460   | \$ | 41,461 |
| Marketable securities |    |         |    | 41,558  |    | 41,558 |
| Restricted cash       |    | 30      |    |         |    | 30     |
| Total assets          | \$ | 39,031  | \$ | 44,018  | \$ | 83,049 |

Our marketable securities utilize Level 2 inputs and consist primarily of corporate securities which include commercial paper and corporate debt instruments including notes issued by foreign or domestic corporations which pay in U.S. dollars and carry a rating of A or better. We have evaluated the various types of securities in our investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Due to variations in trading volumes and the lack of quoted market prices in active markets, our fixed maturities are classified as Level 2 securities. The fair value of our fixed maturity marketable securities is derived through the use of a third party pricing source or recent reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable data.

The Company used the income approach to value the contingent consideration as of September 30, 2013. The contingent consideration used a discounted cash flow method with probability weighted cash flows and a discount rate of 45.0%. The following

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table presents a reconciliation of the beginning and ending amounts related to the fair value of contingent consideration for the Endeika acquisition, categorized as Level 3:

|  |    |       |
|--|----|-------|
| Beginning balance, January 1, 2013                   | \$ |       |
| Contingent consideration for acquisition of business |    | 1,329 |
| Change in fair value                                 |    | (60)  |
| Balance, September 30, 2013                          | \$ | 1,269 |

**7. Accrued expenses and other liabilities**

Accrued expenses and other liabilities consisted of the following:

|  | September 30,<br>2013 | December 31,<br>2012 |
|--|-----------------------|----------------------|
| Salaries and wages                           | \$ 2,674              | \$ 3,312             |
| Revenue share                                | 3,571                 | 3,676                |
| Accrued for construction-in-progress         | 1,369                 | 1,003                |
| Accrued partner network                      | 1,135                 | 1,134                |
| Deferred rent                                | 883                   | 791                  |
| Other  | 2,124                 | 1,103                |
| Total accrued expenses and other liabilities | \$ 11,756             | \$ 11,019            |

**8. Income taxes**

We calculate our interim income tax provision in accordance with ASC 270, *Interim Reporting*, and ASC 740, *Accounting for Income Taxes*. At the end of each interim period, we estimate the annual effective tax rate and apply that rate to our ordinary quarterly earnings. The tax expense or benefit related to significant, unusual, or extraordinary items is recognized in the interim period in which those items occur. In addition, the effect of changes in enacted tax laws, rates, or tax status is recognized in the interim period in which the change occurs.

The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment, including the expected operating income for the year, projections of the proportion of income earned and taxed in various states, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained, or as the tax environment changes.

During the nine months ended September 30, 2013, we recognized excess windfall tax benefits of \$2,459 from stock option exercises. These benefits will decrease income taxes payable for the year ending December 31, 2013, and were recorded as an increase to additional paid-in capital in the accompanying condensed consolidated balance sheet as of September 30, 2013.

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Income tax (benefit) expense of \$(382) and \$2,468 reflects an effective tax rate of 35.6% and 27.6% for the nine months ended September 30, 2013 and 2012, respectively. Our effective tax rate differs from the statutory rate primarily due to benefits from disqualifying dispositions of incentive stock options and adjustments relating to our 2012 and 2011 tax returns for the nine months ended September 30, 2013 and 2012 and non-tax deductible transaction costs related to the acquisition of Endeka for the nine months ended September 30, 2013. Under current tax regulations, we do not receive a tax deduction for the issuance, exercise or disposition of incentive stock options if the employee meets certain holding requirements. If the employee does not meet the holding requirements, a disqualifying disposition occurs, at which time we may receive a tax deduction. We do not record tax benefits related to incentive stock options unless and until a disqualifying disposition is reported. At September 30, 2013, we have net deferred tax assets of \$2,394, which includes net operating loss carry-forwards. As of September 30, 2013 and December 31, 2012, we had \$392 of uncertain tax positions, \$106 of which is a reduction to deferred tax assets, which is presented net of uncertain tax positions, in the accompanying condensed consolidated balance sheets.

We are subject to taxation in the United States and in various states. Our tax years 2010 and forward are subject to examination by the IRS and our tax years 2007 and forward are subject to examination by material state jurisdictions. However, due to prior year loss carryovers, the IRS and state tax authorities may examine any tax years for which the carryovers are used to offset future taxable income.

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**9. Commitments and contingencies**

**Legal proceedings**

From time to time, we may be involved in or subject to claims, suits, investigations and proceedings arising out of the normal course of business. We are not a party to any litigation that we believe could have a material adverse effect on our business, financial position, results of operations or cash flows.

**10. Stock repurchases**

On April 1, 2013, the Company approved a stock repurchase program to repurchase up to \$10,000 of the Company's common stock in the open market, exclusive of any commissions, markups or expenses. The stock repurchased will be retired and will resume the status of authorized but unissued shares of common stock. During the three months ended September 30, 2013, we repurchased and retired approximately 207,000 shares under this program for approximately \$1,485, excluding commissions paid, at an average price per share of \$7.18. During the nine months ended September 30, 2013, we repurchased and retired approximately 362,000 shares under this program for approximately \$2,541, excluding commissions paid, at an average price per share of \$7.02. As of September 30, 2013, the remaining approved amount for repurchases was approximately \$7,459.

**11. Stock incentive plans**

In March 2011, our board of directors approved the 2011 Equity Incentive Plan ( 2011 Plan ). The 2011 Plan provides for the grant of incentive and nonstatutory stock options, stock appreciation rights, restricted shares of our common stock, stock units, and performance cash awards. As of January 1 of each year, the number of shares of common stock reserved for issuance under our stock incentive plan shall automatically be increased by a number equal to the lesser of (a) 4.5% of the total number of shares of common stock then outstanding, (b) 3,000,000 shares of common stock and (c) as determined by our board of directors. As of September 30, 2013, 7,108,013 shares of common stock are reserved for issuance.

No further awards will be made under our Amended and Restated 2001 Stock Incentive Plan ( 2001 Plan ), and it will be terminated. Options outstanding under the 2001 Plan will continue to be governed by their existing terms.

We recognized stock-based compensation expense as follows:

**Three Months Ended  
September 30,**

**Nine Months Ended  
September 30,**

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|                                | 2013     | 2012   | 2013     | 2012     |
|--------------------------------|----------|--------|----------|----------|
| Network operations             | \$ 241   | \$ 117 | \$ 638   | \$ 227   |
| Development and technology     | 143      | (253)  | 242      | 168      |
| Selling and marketing          | 301      | (36)   | 759      | 366      |
| General and administrative     | 667      | 390    | 1,560    | 1,402    |
| Total stock-based compensation | \$ 1,352 | 218    | \$ 3,199 | \$ 2,163 |

A summary of the stock option activity is as follows:

|   | Number of<br>Options (000 s) | Weighted<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contract<br>Life (years) | Aggregate<br>Intrinsic<br>Value |
|---|------------------------------|--|---|---------------------------------|
| Outstanding at December 31, 2012                  | 5,045                        | \$ 6.50                                  | 6.44  | \$ 14,742                       |
| Granted   | 951                          | \$ 6.92                                  |   |                                 |
| Exercised   | (374)                        | \$ 1.45                                  |   |                                 |
| Canceled/forfeited                                | (802)                        | \$ 10.61                                 |   |                                 |
| Outstanding at September 30, 2013                 | 4,820                        | \$ 6.30                                  | 6.49  | \$ 11,358                       |
| Vested and expected to vest at September 30, 2013 | 4,662                        | \$ 6.22                                  | 6.41  | \$ 11,327                       |
| Exercisable at September 30, 2013                 | 2,729                        | \$ 4.18                                  | 4.80  | \$ 10,889                       |



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The weighted average assumptions used for newly issued stock option grants for the nine months ended September 30, 2013 were an expected term of 6.25 years, an expected volatility of 49.43%, a risk free rate of return of 1.12% and no expected dividends.

During the nine months ended September 30, 2013, we issued restricted stock units ( RSU ) to executive and non-executive personnel and members of our board of directors. The executive and non-executive RSUs generally vest over a two year period with 50% of the RSUs vesting when the individual completes 12 months of continuous service and the remaining 50% vesting on a quarterly basis thereafter. The board of directors RSUs generally vest over a one year period for existing members and 25% per year over a four year period for new members. A summary of the RSU activity is as follows:

|                                 | Number of Shares<br>(000 s) | Weighted Average<br>Grant-Date Fair<br>Value |
|---------------------------------|-----------------------------|--|
| Nonvested at December 31, 2012  |                             | \$   |
| Granted                         | 799                         | \$ 6.21                                      |
| Vested                          |                             | \$   |
| Forfeited                       | (30)                        | \$ 6.05                                      |
| Nonvested at September 30, 2013 | 769                         | \$ 6.21                                      |

### 12. Net income (loss) per share attributable to common stockholders

The following table sets forth the computation of basic and diluted net income (loss) per share attributable to common stockholders:

|  | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|--|-------------------------------------|----------|------------------------------------|----------|
|  | 2013                                | 2012     | 2013                               | 2012     |
|  | (in thousands)                      |          |                                    |          |
| <b>Numerator:</b>  |                                     |          |                                    |          |
| Net income (loss) attributable to common stockholders, basic and diluted | \$ 354                              | \$ 2,777 | \$ (1,166)                         | \$ 5,895 |
| <b>Denominator:</b>  |                                     |          |                                    |          |
| Weighted average common stock, basic                                     | 35,593                              | 35,080   | 35,620                             | 34,618   |
| Dilutive effect of stock options   | 1,347                               | 2,257    |                                    | 2,706    |
| Dilutive effect of RSUs  | 189                                 |          |                                    |          |
| Weighted average common stock, dilutive                                  | 37,129                              | 37,337   | 35,620                             | 37,324   |
| <b>Net income (loss) per share attributable to common stockholders:</b>  |                                     |          |                                    |          |
| Basic  | \$ 0.01                             | \$ 0.08  | \$ (0.03)                          | \$ 0.17  |
| Diluted  | \$ 0.01                             | \$ 0.07  | \$ (0.03)                          | \$ 0.16  |

For the three months ended September 30, 2013, 3,086,287 options to purchase common stock were not included in the computation of diluted net income per share as the inclusion would have been anti-dilutive. For the nine months ended September 30, 2013, we excluded all stock options and RSUs from the computation of diluted net loss per share due to the net loss for the period. For the three and nine months ended September 30, 2012, 2,478,156 and 2,442,898, respectively, options to purchase common stock were not included in the computation of diluted net income per share as the inclusion would have been anti-dilutive.

**13. Subsequent events**

On October 31, 2013, we acquired all outstanding stock of Electronic Media Systems, Inc. ( EMS ) and all membership interests in its subsidiary, Advanced Wireless Group, LLC ( AWG ), not otherwise owned by EMS, such that we are now the beneficial owner of all membership interests of AWG, for approximately \$16,000 plus contingent consideration and the assumption of certain debt and liabilities. AWG operates public Wi-Fi in seventeen U.S. airports including Los Angeles International, Charlotte/Douglas International, Miami International, Minneapolis-St. Paul International, Detroit Metropolitan Airport, and Boston 's Logan International. Due to the timing of the closing, we have not completed the purchase accounting associated with the acquisition as of the date of this report.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in Item 1. Financial Statements of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and the section titled Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities Exchange Commission on March 18, 2013.*

**Forward-Looking Statements**

*This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended, based on our current expectations, estimates and projections about our operations, industry, financial condition, performance, results of operations, and liquidity. Statements containing words such as may, believe, anticipate, expect, intend, plan, project, projections, business outlook, estimate, or similar expressions constitute forward-looking statements. These forward-looking statements include, but are not limited to, statements about future financial performance; revenues; metrics; operating expenses; market trends, including those in the markets in which we compete; operating and marketing efficiencies; liquidity; cash flows and uses of cash; dividends; capital expenditures; depreciation and amortization; tax payments; foreign currency exchange rates; hedging arrangements; our ability to repay indebtedness, pay dividends and invest in initiatives; our products and services; pricing; competition; strategies; and new business initiatives, products, services, and features. Potential factors that could affect the matters about which the forward-looking statements are made include, among others, the factors disclosed in the section entitled Risk Factors in this Quarterly Report on Form 10-Q and additional factors that accompany the related forward-looking statements in this Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as the date hereof. Any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that may cause actual performance and results to differ materially from those predicted. Reported results should not be considered an indication of future performance. Except as required by law, we undertake no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.*

**Overview**

Boingo makes it simple to connect to the mobile Internet.

We make it easy, convenient and cost effective for individuals to find and gain access to the mobile Internet through high-speed, high-bandwidth Wi-Fi networks globally. We also manage and operate a distributed antenna system infrastructure ( DAS ), which is a cellular extension network. Our solution includes easy-to-use software for Wi-Fi enabled devices such as smartphones, laptops and tablet computers, and our sophisticated back-end system infrastructure that detects and enables one-click access to our extensive global Wi-Fi network. Individuals use our solutions to access what we believe is the world's largest commercial Wi-Fi network, consisting of over 700,000 Wi-Fi locations, or hotspots, in over 100 countries at venues such as airports, hotels, coffee shops, shopping malls, arenas, stadiums and quick service restaurants.

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We have direct customer relationships with users who have purchased our mobile Internet services, and we provide solutions to our partners, which include telecom operators, cable companies, technology companies, enterprise software and services companies, and communications companies to allow their millions of users to connect to the mobile Internet through hotspots in our network. As of September 30, 2013, we have grown our subscriber base to approximately 313,000, an increase of approximately 7.2% over the same prior year period.

Individuals who are accustomed to the benefits of broadband performance at home and work are seeking the same applications, performance and availability on-the-go, through smartphones, laptops, tablet computers and other devices. We believe that this consumer demand has created a significant market opportunity that we are uniquely positioned to capture.

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We generate revenue from individual users, partners and advertisers. Individual users provide approximately 43% of our revenue by purchasing month-to-month subscription plans that automatically renew, or hotspot specific single-use access to our network. In addition, our partners pay us usage-based network access and software licensing fees to allow their customers access to our network. We also generate revenue from telecom operators that pay us build-out fees and recurring access fees so that their cellular customers may use our DAS at locations where we manage and operate the Wi-Fi network. We also generate revenue from advertisers that seek to reach our users with sponsored access, promotional programs and display advertising at locations where we manage and operate the Wi-Fi network and locations where we solely provide authorized access to a partner's Wi-Fi network through sponsored access and promotional programs.

We install, manage and operate a wireless network infrastructure to provide Wi-Fi services at our managed and operated hotspots, where we generally have exclusive multi-year agreements.

The mobile Internet is a complex and constantly evolving ecosystem, comprised of over a billion mobile Internet-enabled devices from dozens of manufacturers, which are powered by many different operating systems. Devices use different network technologies and must be configured with the appropriate software to detect and optimize a connection to the mobile Internet. This complexity is amplified as new device models and operating systems are released, new categories of devices become Internet-enabled, and new network technologies emerge.

The increasing number of mobile Internet-enabled devices in this ecosystem is causing an even more rapid increase in data consumption. Despite spending billions of dollars every year to expand their networks, network and telecom operators still face capacity-strained networks. Innovations in broadband technologies such as 3G and 4G will not be sufficient to relieve the strain on networks.

We believe we are the leading global provider of commercial mobile Wi-Fi Internet solutions. Key elements of our strategy are to:

- grow the installed base of our software;
- leverage our neutral-host business model;
- invest in our software to enhance the customer experience;
- expand our network;
- grow our business internationally; and

- increase our brand awareness.

#### **Reconciliation of Non-GAAP Financial Measures**

We define Adjusted EBITDA as net income (loss) attributable to common stockholders plus depreciation and amortization of property and equipment, income tax expense (benefit), amortization of intangible assets, stock-based compensation expense, non-controlling interests and interest and other (expense) income, net.

We believe that Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods. We believe that:

- Adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and
- it is useful to exclude non-cash charges, such as depreciation and amortization of property and equipment, amortization of intangible assets and stock-based compensation, from Adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations, and these expenses can vary significantly between periods as a result of full amortization of previously acquired tangible and intangible assets or the timing of new stock-based awards.

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We use Adjusted EBITDA in conjunction with traditional GAAP measures as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance.

We do not place undue reliance on Adjusted EBITDA as our only measure of operating performance. Adjusted EBITDA should not be considered as a substitute for other measures of financial performance reported in accordance with GAAP. There are limitations to using non-GAAP financial measures, including that other companies may calculate these measures differently than we do.

We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of these limitations, presentation of our financial statements in accordance with GAAP and reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net income (loss) attributable to common stockholders.

The following provides a reconciliation of net income (loss) attributable to common stockholders to Adjusted EBITDA:

|   | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|----------|------------------------------------|-----------|
|   | 2013                                | 2012     | 2013                               | 2012      |
|   |                                     |          | (unaudited)                        |           |
|   |                                     |          | (in thousands)                     |           |
| Net income (loss) attributable to common stockholders   | \$ 354                              | \$ 2,777 | \$ (1,166)                         | \$ 5,895  |
| Depreciation and amortization of property and equipment | 4,744                               | 3,798    | 13,611                             | 11,672    |
| Income tax expense (benefit)                            | 258                                 | 1,101    | (382)                              | 2,468     |
| Amortization of intangible assets                       | 541                                 | 296      | 1,456                              | 778       |
| Stock-based compensation expense                        | 1,352                               | 218      | 3,199                              | 2,163     |
| Non-controlling interests                               | 170                                 | 284      | 476                                | 579       |
| Interest and other expense (income), net                | 2                                   | (33)     | (70)                               | (170)     |
| Adjusted EBITDA   | \$ 7,421                            | \$ 8,441 | \$ 17,124                          | \$ 23,385 |

### Results of Operations

The following tables set forth our results of operations for the specified periods.

|  | Three Months Ended<br>September 30, |      | Nine Months Ended<br>September 30, |      |
|--|-------------------------------------|------|------------------------------------|------|
|  | 2013                                | 2012 | 2013                               | 2012 |
|  |                                     |      | (unaudited)                        |      |
|  |                                     |      | (in thousands)                     |      |

**Consolidated Statement of Operations  
Data:**

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|   |    |        |    |        |    |         |    |        |
|---|----|--------|----|--------|----|---------|----|--------|
| Revenue   | \$ | 28,607 | \$ | 26,017 | \$ | 77,980  | \$ | 74,506 |
| Costs and operating expenses:                         |    |        |    |        |    |         |    |        |
| Network access  |    | 13,670 |    | 10,061 |    | 34,375  |    | 29,577 |
| Network operations                                    |    | 4,495  |    | 3,693  |    | 13,199  |    | 10,895 |
| Development and technology                            |    | 2,622  |    | 2,300  |    | 8,484   |    | 7,792  |
| Selling and marketing                                 |    | 3,294  |    | 2,567  |    | 10,106  |    | 7,237  |
| General and administrative                            |    | 3,201  |    | 2,971  |    | 11,502  |    | 9,455  |
| Amortization of intangible assets                     |    | 541    |    | 296    |    | 1,456   |    | 778    |
| Total costs and operating expenses                    |    | 27,823 |    | 21,888 |    | 79,122  |    | 65,734 |
| Income (loss) from operations                         |    | 784    |    | 4,129  |    | (1,142) |    | 8,772  |
| Interest and other (expense) income, net              |    | (2)    |    | 33     |    | 70      |    | 170    |
| Income (loss) before income taxes                     |    | 782    |    | 4,162  |    | (1,072) |    | 8,942  |
| Income tax expense (benefit)                          |    | 258    |    | 1,101  |    | (382)   |    | 2,468  |
| Net income (loss)                                     |    | 524    |    | 3,061  |    | (690)   |    | 6,474  |
| Net income attributable to non-controlling interests  |    | 170    |    | 284    |    | 476     |    | 579    |
| Net income (loss) attributable to common stockholders | \$ | 354    | \$ | 2,777  | \$ | (1,166) | \$ | 5,895  |



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Depreciation and amortization expense included in costs and operating expenses:

|                            | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|----------------------------|-------------------------------------|----------|------------------------------------|-----------|
|                            | 2013                                | 2012     | 2013                               | 2012      |
|                            | (unaudited)<br>(in thousands)       |          |                                    |           |
| Network access             | \$ 3,058                            | \$ 2,704 | \$ 9,140                           | \$ 8,848  |
| Network operations         | 1,116                               | 687      | 2,932                              | 2,077     |
| Development and technology | 507                                 | 375      | 1,395                              | 656       |
| General and administrative | 63                                  | 32       | 144                                | 91        |
| Total (1)                  | \$ 4,744                            | \$ 3,798 | \$ 13,611                          | \$ 11,672 |

(1) The \$0.9 million and \$1.9 million increase in depreciation and amortization expense of property and equipment for the three and nine months ended September 30, 2013 as compared to the three and nine months ended September 30, 2012, respectively, is primarily due to increased depreciation and amortization expense from our increased fixed assets in 2013. The increase for the nine months ended September 30, 2013 was offset by \$1.3 million from a short term DAS build-out project during the nine months ended September 30, 2012.

Stock-based compensation expense included in costs and operating expenses:

|                            | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |          |
|----------------------------|-------------------------------------|--------|------------------------------------|----------|
|                            | 2013                                | 2012   | 2013                               | 2012     |
|                            | (unaudited)<br>(in thousands)       |        |                                    |          |
| Network operations         | \$ 241                              | \$ 117 | \$ 638                             | \$ 227   |
| Development and technology | 143                                 | (253)  | 242                                | 168      |
| Selling and marketing      | 301                                 | (36)   | 759                                | 366      |
| General and administrative | 667                                 | 390    | 1,560                              | 1,402    |
| Total (1)                  | \$ 1,352                            | \$ 218 | \$ 3,199                           | \$ 2,163 |

(1) The \$1.1 million and \$1.0 million increase in stock-based compensation expense for the three and nine months ended September 30, 2013 as compared to the three and nine months ended September 30, 2012, respectively, is primarily due to the reversal of \$0.7 million in stock-based compensation expense for unvested options for two senior executives who left the Company during the three months ended September 30, 2012 and stock-based compensation expenses for new stock options and restricted stock units ( RSU ) granted to our employees and directors in 2013.

The following table sets forth our results of operations for the specified periods as a percentage of our revenue for those periods:

| Three Months Ended<br>September 30, |      | Nine Months Ended<br>September 30, |      |
|-------------------------------------|------|------------------------------------|------|
| 2013                                | 2012 | 2013                               | 2012 |

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(unaudited)  
(as a percentage of revenue)

| <b>Consolidated Statement of Operations Data:</b>     |        |        |        |        |
|---|--------|--------|--------|--------|
| Revenue   | 100.0% | 100.0% | 100.0% | 100.0% |
| Costs and operating expenses:                         |        |        |        |        |
| Network access  | 47.8   | 38.7   | 44.1   | 39.7   |
| Network operations                                    | 15.7   | 14.2   | 16.9   | 14.6   |
| Development and technology                            | 9.2    | 8.8    | 10.9   | 10.5   |
| Selling and marketing                                 | 11.5   | 9.9    | 13.0   | 9.7    |
| General and administrative                            | 11.2   | 11.4   | 14.7   | 12.7   |
| Amortization of intangible assets                     | 1.9    | 1.1    | 1.9    | 1.0    |
| Total costs and operating expenses                    | 97.3   | 84.1   | 101.5  | 88.2   |
| Income (loss) from operations                         | 2.7    | 15.9   | (1.5)  | 11.8   |
| Interest and other (expense) income, net              | 0.0    | 0.1    | 0.1    | 0.2    |
| Income (loss) before income taxes                     | 2.7    | 16.0   | (1.4)  | 12.0   |
| Income tax expense (benefit)                          | 0.9    | 4.2    | (0.5)  | 3.3    |
| Net income (loss)                                     | 1.8    | 11.8   | (0.9)  | 8.7    |
| Net income attributable to non-controlling interests  | 0.6    | 1.1    | 0.6    | 0.8    |
| Net income (loss) attributable to common stockholders | 1.2%   | 10.7%  | (1.5)% | 7.9%   |

Table of Contents**Three Months ended September 30, 2013 and 2012****Revenue**

|                              | 2013                              | Three Months Ended September 30,<br>2012<br>(unaudited) |          | Change  | % Change |
|------------------------------|-----------------------------------|---|----------|---------|----------|
|                              | (in thousands, except churn data) |   |          |         |          |
| <b>Revenue:</b>              |                                   |   |          |         |          |
| Retail subscription          | \$ 8,860                          | \$ 8,621  | \$ 239   | 2.8%    |          |
| Retail single-use            | 2,386                             | 3,304   | (918)    | (27.8)% |          |
| Wholesale                    | 14,328                            | 11,631  | 2,697    | 23.2%   |          |
| Advertising and other        | 3,033                             | 2,461   | 572      | 23.2%   |          |
| Total revenue                | \$ 28,607                         | \$ 26,017   | \$ 2,590 | 10.0%   |          |
| <b>Key business metrics:</b> |                                   |   |          |         |          |
| Subscribers                  | 313                               | 292   | 21       | 7.2%    |          |
| Monthly churn                | 10.2%                             | 9.0%  | 1.2%     | 13.3%   |          |
| Connects                     | 10,895                            | 8,906   | 1,989    | 22.3%   |          |

There are three key metrics that we use to monitor results and activity in the business:

*Subscribers.* This metric represents the number of paying retail customers who are on a month-to-month subscription plan at a given period end.

*Monthly churn.* This metric shows the number of subscribers who canceled their subscriptions in a given month, expressed as a percentage of the average subscribers in that month. The churn in a given period is the average monthly churn in that period. This measure is one indicator of the longevity of our subscribers. Some of our customers who cancel subscriptions maintain accounts for single-use access.

*Connects.* This metric shows how often individuals connect to our global Wi-Fi network in a given period. The connects include retail and wholesale customers in both customer pay locations and customer free locations where we are a paid service provider or receive sponsorship or promotional fees. We count each connect as a single connect regardless of how many times the individual accesses the network at a given venue during their 24 hour period. This measure is an indicator of paid activity throughout our network.

*Total revenue.* Total revenue increased \$2.6 million or 10.0%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012.

*Retail subscription.* Retail subscription revenue increased \$0.2 million, or 2.8%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, due to an increase in subscribers. The impact of the increase in subscribers was partially offset by a decrease in our average monthly revenue per subscriber of 4.3% from promotional offers and the growing mix of lower-priced smartphone

subscriptions compared to unlimited subscriptions.

*Retail single-use.* Retail single-use revenue decreased \$0.9 million, or 27.8%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012. The decrease in retail single-use revenue was due primarily to the transition of certain paid managed and operated locations to a tiered or free pricing model, the loss of certain paid managed and operated locations, and an increase in new customers that opted for subscriptions.

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*Wholesale.* Wholesale revenue increased \$2.7 million, or 23.2%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, due to a \$3.9 million increase in new DAS build-out projects in our managed and operated locations, which includes a \$2.5 million short term build-out project that included the sale of equipment and was completed during the three months ended September 30, 2013, and a \$0.5 million increase in wholesale service provider revenues. The increases were offset by a \$1.7 million decrease in partner usage based fees.

*Advertising and other.* Advertising and other revenue increased \$0.6 million, or 23.2% for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, due to a \$0.3 million increase in advertising revenues from our advertising business that resulted from the assets acquired from Cloud 9 Wireless, Inc. ( Cloud 9 ) in August 2012 and a \$0.3 million increase in other revenues.

### *Costs and Operating Expenses*

|                                      | 2013      | Three Months Ended September 30,<br>2012 |          | Change | % Change |
|--------------------------------------|-----------|--|----------|--------|----------|
|                                      |           | (unaudited)                              |          |        |          |
|                                      |           | (in thousands, except percentages)       |          |        |          |
| <b>Costs and operating expenses:</b> |           |  |          |        |          |
| Network access                       | \$ 13,670 | \$ 10,061                                | \$ 3,609 |        | 35.9%    |
| Network operations                   | 4,495     | 3,693                                    | 802      |        | 21.7%    |
| Development and technology           | 2,622     | 2,300                                    | 322      |        | 14.0%    |
| Selling and marketing                | 3,294     | 2,567                                    | 727      |        | 28.3%    |
| General and administrative           | 3,201     | 2,971                                    | 230      |        | 7.7%     |
| Amortization of intangible assets    | 541       | 296                                      | 245      |        | 82.8%    |
| Total costs and operating expenses   | \$ 27,823 | \$ 21,888                                | \$ 5,935 |        | 27.1%    |

*Network access.* Network access costs increased \$3.6 million, or 35.9%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012. The increase is primarily attributable to a \$2.9 million increase in costs associated with the sale of equipment for build-out projects for wholesale service providers and our short term build-out projects, a \$0.5 million increase in other cost of sales and bandwidth, and a \$0.4 million increase in depreciation expense. The increases were offset by a \$0.1 million decrease in revenue share paid to venues in our managed and operated locations.

*Network operations.* Network operations expenses increased \$0.8 million, or 21.7%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, due primarily to a \$0.4 million increase in depreciation expense and a \$0.4 million increase in personnel and other expenses.

*Development and technology.* Development and technology expenses increased \$0.3 million, or 14.0%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, due primarily to a \$0.2 million increase in personnel related expenses and a \$0.1 million increase in depreciation expense.

*Selling and marketing.* Selling and marketing expenses increased \$0.7 million, or 28.3%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, due primarily to a \$0.7 million increase in personnel related expenses.

*General and administrative.* General and administrative expenses increased \$0.2 million, or 7.7%, for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, due primarily to a \$0.2 million increase in professional fees and a \$0.2 million increase in personnel related expenses. The increases were offset by a \$0.1 million decrease in other consulting expenses.

*Amortization of intangible assets.* Amortization of intangible assets expense increased \$0.2 million, or 82.8%, for the three months ended September 30, 2013 as compared to the three months ended September 30, 2012, due to our acquisitions of Cloud 9 and Endeka in August 2012 and February 2013, respectively.

***Interest and Other (Expense) Income, Net***

Interest and other (expense) income, net remained relatively unchanged for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012.

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***Income Tax Expense***

Income tax expense decreased \$0.8 million or 76.6% for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012. Our effective tax rate increased to 33.1% for the three months ended September 30, 2013 as compared to 26.5% for the three months ended September 30, 2012. The increase in our effective tax rate is primarily due to decreased income tax deductions from the sale of stock related to employee incentive stock options.

***Non-controlling Interests***

Non-controlling interests relates to our non-controlling owners interests in the net income (loss) generated by Concourse Communications Detroit, LLC, Chicago Concourse Development Group, LLC and Boingo Holding Participacoes Ltda. Non-controlling interests remained relatively unchanged for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012.

***Net Income Attributable to Common Stockholders***

Our net income decreased primarily as a result of the \$6.0 million increase in costs and operating expenses offset in part by the \$2.6 million increase in revenues and the \$0.8 million decrease in income tax expense in the current period compared to the comparable 2012 quarter. Our diluted earnings per share decreased primarily as a result of the decrease in net income.

***Adjusted EBITDA***

Adjusted EBITDA was \$7.4 million for the three months ended September 30, 2013, down 12.1% from the \$8.4 million recorded in the three months ended September 30, 2012. As a percent of revenue, Adjusted EBITDA was 25.9% for the three months ended September 30, 2013, down from the 32.4% of revenue in the comparable 2012 quarter. The Adjusted EBITDA decrease was due primarily to a decrease of \$3.4 million in pre-tax net income during the three months ended September 30, 2013, which was driven by the \$6.0 million increase in costs and operating expenses offset by the \$2.6 million increase in revenue in the current period compared to the comparable 2012 quarter. The decrease in pre-tax net income was offset in part by the \$2.3 increase in non-cash depreciation, amortization, and stock-based compensation expenses in the current period compared to the comparable 2012 quarter.

**Nine Months ended September 30, 2013 and 2012**

***Revenue***

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|                              | 2013      | Nine Months Ended September 30,<br>2012 |          | Change  | % Change |
|------------------------------|-----------|---|----------|---------|----------|
|                              |           | (unaudited)                             |          |         |          |
|                              |           | (in thousands, except churn data)       |          |         |          |
| <b>Revenue:</b>              |           |   |          |         |          |
| Retail subscription          | \$ 25,658 | \$ 24,484                               | \$ 1,174 | 4.8%    |          |
| Retail single-use            | 7,802     | 10,799                                  | (2,997)  | (27.8)% |          |
| Wholesale                    | 38,222    | 34,837                                  | 3,385    | 9.7%    |          |
| Advertising and other        | 6,298     | 4,386                                   | 1,912    | 43.6%   |          |
| Total revenue                | \$ 77,980 | \$ 74,506                               | \$ 3,474 | 4.7%    |          |
| <b>Key business metrics:</b> |           |   |          |         |          |
| Subscribers                  | 313       | 292                                     | 21       | 7.2%    |          |
| Monthly churn                | 10.1%     | 9.4%                                    | 0.7%     | 7.5%    |          |
| Connects                     | 28,391    | 16,623                                  | 11,768   | 70.8%   |          |

*Total revenue.* Total revenue increased \$3.5 million or 4.7%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012.

*Retail subscription.* Retail subscription revenue increased \$1.2 million, or 4.8%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, due to an increase in subscribers. The impact of the increase in subscribers was partially offset by a decrease in our average monthly revenue per subscriber of 5.0% from promotional offers and the growing mix of lower-priced smartphone subscriptions compared to unlimited subscriptions.

*Retail single-use.* Retail single-use revenue decreased \$3.0 million, or 27.8%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012. The decrease in retail single-use revenue was due primarily to the transition of certain paid managed and operated locations to a tiered or free pricing model, the loss of certain paid managed and operated locations, and an increase in new customers that opted for subscriptions.



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*Wholesale.* Wholesale revenue increased \$3.4 million, or 9.7%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, due to a \$4.3 million increase in new DAS build-out projects in our managed and operated locations, which includes a \$2.5 million short term build-out project that included the sale of equipment and was completed during the three months ended September 30, 2013, and a \$1.6 million increase in wholesale service provider revenues. The increases were offset by a \$2.1 million decrease in partner usage based fees, and a \$0.4 million decrease in access fees for usage of the DAS networks.

*Advertising and other.* Advertising and other revenue increased \$1.9 million, or 43.6%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, due to a \$2.1 million increase in advertising revenues from our advertising business that resulted from the assets acquired from Cloud 9 in August 2012.

### *Costs and Operating Expenses*

|                                      | 2013      | Nine Months Ended September 30,<br>2012 |           | Change | % Change |
|--------------------------------------|-----------|---|-----------|--------|----------|
|                                      |           | (unaudited)                             |           |        |          |
|                                      |           | (in thousands, except percentages)      |           |        |          |
| <b>Costs and operating expenses:</b> |           |   |           |        |          |
| Network access                       | \$ 34,375 | \$ 29,577                               | \$ 4,798  |        | 16.2%    |
| Network operations                   | 13,199    | 10,895                                  | 2,304     |        | 21.1%    |
| Development and technology           | 8,484     | 7,792                                   | 692       |        | 8.9%     |
| Selling and marketing                | 10,106    | 7,237                                   | 2,869     |        | 39.6%    |
| General and administrative           | 11,502    | 9,455                                   | 2,047     |        | 21.6%    |
| Amortization of intangible assets    | 1,456     | 778                                     | 678       |        | 87.1%    |
| Total costs and operating expenses   | \$ 79,122 | \$ 65,734                               | \$ 13,388 |        | 20.4%    |

*Network access.* Network access costs increased \$4.8 million, or 16.2%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012. The increase is primarily attributable to a \$2.9 million increase in costs associated with the sale of equipment for a short term build out project and for build-out projects for wholesale service providers, a \$1.2 million increase in revenue share paid to venues, a \$1.1 million increase in other cost of sales and bandwidth, and a \$0.3 million increase in depreciation expense. The increases were offset by a \$0.7 million decrease from customer usage at partner venues.

*Network operations.* Network operations expenses increased \$2.3 million, or 21.1%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, primarily due to a \$0.9 million increase in personnel related expenses, a \$0.8 million increase in depreciation expense, and a \$0.4 million increase in internet connectivity expenses and other expenses.

*Development and technology.* Development and technology expenses increased \$0.7 million, or 8.9% for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, primarily due to a \$0.7 million increase in depreciation expense and a \$0.2 million increase in software maintenance costs. The increases were offset by a \$0.3 million decrease in recruiting expenses.

*Selling and marketing.* Selling and marketing expenses increased \$2.9 million, or 39.6%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, primarily due to a \$2.4 million increase in personnel related expenses and a \$0.4

million increase in travel and entertainment expenses.

*General and administrative.* General and administrative expenses increased \$2.0 million, or 21.6%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, primarily due to a \$1.9 million increase in professional fees, a \$0.3 million increase in personnel related expenses, and a \$0.2 million increase in recruiting expenses. The increases were offset by a \$0.2 million decrease in other consulting expenses.

*Amortization of intangible assets.* Amortization of intangible assets expense increased \$0.7 million, or 87.1%, for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, due to our acquisitions of Cloud 9 and Endeka in August 2012 and February 2013, respectively.

***Interest and Other Income, Net***

Interest and other income, net remained relatively unchanged for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012.

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***Income Tax (Benefit) Expense***

We had an income tax benefit of \$(0.4) million for the nine months ended September 30, 2013 compared to an income tax expense of \$2.5 million for the nine months ended September 30, 2012 due to the operating loss generated during the period. Our effective tax rate also increased to 35.6% for the nine months ended September 30, 2013 as compared 27.6% for the nine months ended September 30, 2012. The increase in our effective tax rate is primarily due to decreased income tax deductions from the sale of stock related to employee incentive stock options and from adjustments realized upon filing our federal income tax returns.

***Non-controlling Interests***

Non-controlling interests relates to our non-controlling owners interests in the net income (loss) generated by Concourse Communications Detroit, LLC, Chicago Concourse Development Group, LLC and Boingo Holding Participacoes Ltda. Non-controlling interests remained relatively unchanged for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012.

***Net (Loss) Income Attributable to Common Stockholders***

Our net income decreased primarily as a result of the \$13.4 million increase in costs and operating expenses offset in part by the \$3.5 million increase in revenues and the \$2.9 million decrease in income tax expense in the current period compared to the comparable 2012 period. Our diluted earnings per share decreased primarily as a result of the decrease in net income.

**Adjusted EBITDA**

Adjusted EBITDA was \$17.1 million for the nine months ended September 30, 2013, down \$6.3 million or 26.8% from the \$23.4 million recorded in the nine months ended September 30, 2012. As a percent of revenue, Adjusted EBITDA was 22.0%, down from 31.4% of revenue in the comparable 2012 period. The Adjusted EBITDA decrease was due primarily to a decrease of \$10.1 million in pre-tax net income during the nine months ended September 30, 2013, which was driven by the \$13.4 million increase in costs and operating expenses offset in part by the \$3.5 million increase in revenue in the current period compared to the comparable 2012 period. The decrease in pre-tax net income was offset by the \$3.7 increase in non-cash depreciation, amortization, and stock-based compensation expenses in the current period compared to the comparable 2012 period.

**Liquidity and Capital Resources**

We have financed our operations primarily through cash provided by operating activities. Our primary sources of liquidity as of September 30, 2013 consisted of \$44.7 million of cash and cash equivalents and \$36.5 million of marketable securities.

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Our principal uses of liquidity have been to fund our operations, working capital requirements, capital expenditures and acquisitions. We expect that these requirements will be our principal needs for liquidity over the near term. Our capital expenditures in the first nine months of 2013 were \$19.1 million, of which \$10.9 million was reimbursed through revenue for DAS build-out projects from our telecom operators.

We believe that our existing cash and cash equivalents, working capital and our cash flow from operations will be sufficient to fund our operations, planned capital expenditures and potential acquisitions for at least the next 12 months. There can be no assurance, however, that future industry-specific or other developments, general economic trends, or other matters will not adversely affect our operations or our ability to meet our future cash requirements. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and size of our managed and operated location expansion efforts, the timing and extent of spending to support product development efforts, the timing of introductions of new solutions and enhancements to existing solutions and the continuing market acceptance of our solutions. We may enter into acquisitions of complementary businesses, applications or technologies which could require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us, or at all.

The following table sets forth cash flow data for the nine months ended September 30:

|   | 2013 | (unaudited)<br>(in thousands) | 2012      |
|---|------|-------------------------------|-----------|
| Net cash provided by operating activities           | \$   | 12,560                        | \$ 17,234 |
| Net cash used in investing activities               |      | (18,959)                      | (56,173)  |
| Net cash (used in) provided by financing activities |      | (6,993)                       | 2,356     |

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***Net Cash Provided by Operating Activities***

For the nine months ended September 30, 2013, we generated \$12.6 million of net cash from operating activities, a decrease of \$4.7 million from the prior year comparative period. The decrease is primarily due to a \$7.2 million decrease in our net income including non-controlling interests, changes in working capital of \$0.8 million resulting from increases in our prepaids and other assets and decreases in our deferred revenue offset by decreases in our accounts receivable and increases in our accrued expenses and other liabilities, and a \$0.8 million increase in our excess windfall tax benefits from stock option exercises. The decreases were offset by a \$2.6 million increase in depreciation and amortization expenses, a \$1.0 million increase in stock-based compensation expenses, and a \$0.4 million change in deferred tax assets that was recorded during the nine months ended September 30, 2012.

***Net Cash Used in Investing Activities***

For the nine months ended September 30, 2013, we used \$19.0 million in investing activities, a decrease of \$37.2 million from the prior year comparative period. The decrease was primarily due to \$5.1 million of cash received from net sales of marketable securities during the nine months ended September 30, 2013 compared to \$37.2 million of cash used in net purchases of marketable securities during the nine months ended September 30, 2012. The decrease was offset by \$4.9 million of cash payments made for our acquisition of Endeka in February 2013 as compared to the \$3.2 million of cash payments made for our acquisition of Cloud 9 in August 2012, and the \$3.4 million increase in purchase of property and equipment during the nine months ended September 30, 2013 compared to the prior year comparative period, which primarily related to new build-out projects.

***Net Cash (Used in) Provided by Financing Activities***

For the nine months ended September 30, 2013, we used \$7.0 million in financing activities, a decrease of \$9.3 million from the prior year comparative period. This is primarily due to \$6.1 million of cash used to repay notes payable and other financed liabilities that were assumed in our acquisition of Endeka in February 2013, the \$2.6 million of cash used in the repurchase of our common stock during the nine months ended September 30, 2013, and the \$1.6 million decrease in proceeds from the exercise of stock options during the nine months ended September 30, 2013 compared to the prior year comparative period. The decreases were offset by a \$0.8 million increase in excess windfall tax benefits from stock option exercises.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet financing arrangements and we do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

**Critical Accounting Policies and Estimates**

There have been no material changes to our critical accounting policies and estimates from the information provided for the year ended December 31, 2012 in Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our annual report on Form 10-K filed by us with the SEC on March 18, 2013.

### **Recently Issued Accounting Standards**

See Note 2 to our unaudited condensed consolidated financial statements in Part I, Item 1 of this report for a description of recently issued accounting standards, including our expected dates of adoption and estimated effects on our results of operations and financial condition.

### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings.

We have established guidelines relative to the diversification and maturities of investments to maintain safety and liquidity. These guidelines are reviewed periodically and may be modified depending on market conditions. Although investments may be subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. At September 30, 2013, our market risk sensitive instruments consisted of marketable securities available-for-sale, which are comprised of highly rated short-term corporate bonds.

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Marketable securities available-for-sale are carried at fair value and are intended for use in meeting our ongoing liquidity needs. Unrealized gains and losses on available-for-sale securities, which are deemed to be temporary, are reported as a separate component of stockholders' equity, net of tax. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses is included in interest and other (expense) income, net.

**Item 4. Controls and Procedures**

*Disclosure Controls and Procedures.* We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness, as of September 30, 2013, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

*Changes in Internal Control over Financial Reporting.* During the three months ended September 30, 2013, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

The information set forth in Note 9 Commitments and Contingencies, to the unaudited condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report, is incorporated herein by this reference.

**Item 1A. Risk Factors**

**Certain Factors Affecting Boingo Wireless, Inc.**

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In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A: Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, which we incorporate by reference into this Quarterly Report on Form 10-Q, which could materially affect our business, results of operations, cash flows, or financial condition. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results. There have been no material changes in the risk factors contained in our Annual Report on Form 10-K.

### **Item 2. Information Regarding Stock Repurchases**

On April 1, 2013, the Company approved a stock repurchase program to repurchase up to \$10,000,000 of the Company's common stock in the open market, exclusive of any commissions, markups or expenses. The stock repurchased will be retired and will resume the status of authorized but unissued shares of common stock. During the three months ended September 30, 2013, we repurchased and retired approximately 207,000 shares under this program for approximately \$1,485,000, excluding commissions paid, at an average price per share of \$7.18. During the nine months ended September 30, 2013, we repurchased and retired approximately 362,000 shares under this program for approximately \$2,541,000, excluding commissions paid, at an average price per share of \$7.02. As of September 30, 2013, the remaining approved amount for repurchases was approximately \$7,459,000. Activity under the program for the nine months ended September 30, 2013 was as follows:



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|                            | Total Number of<br>Shares Purchased (1)<br>(000 s) | Average Price Paid<br>Per Share | Approximate Dollar<br>Value of Shares that<br>May Yet Be<br>Purchased (000 s) |
|----------------------------|--|---------------------------------|---|
| As of December 31, 2012    |  | \$                              |   |
| January 1 - May 31         |  | \$                              | 10,000  |
| June 1 - June 30           | 155  | \$ 6.81                         | 8,944   |
| July 1 - July 31           |  | \$                              | 8,944   |
| August 1 - August 31       | 77   | \$ 7.45                         | 8,372   |
| September 1 - September 30 | 130  | \$ 7.02                         | 7,459   |
| Total                      | 362  |                                 |   |

(1) All shares purchased were purchased as part of a publicly announced program discussed above, in open-market transactions.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

On August 19, 2013, we exercised our right to extend our Telecommunications Network Access Agreement with the Port Authority of New York and New Jersey.

**Item 6. Exhibits**

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q:

| Exhibit<br>No. | Description  | Form | Incorporated by Reference<br>Date | Number | Filed<br>Herewith |
|----------------|--|------|-----------------------------------|--------|-------------------|
| 3.2            | Amended and Restated Certificate of Incorporation.   | S-1  | 03/21/2011                        | 3.2    |                   |
| 3.4            | Amended and Restated Bylaws.   | S-1  | 03/21/2011                        | 3.4    |                   |
| 10.17          | Letter, dated August 19, 2013, from New York Telecom Partners, LLC to The Port Authority of New York and New Jersey. |      |                                   |        | X                 |

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- |      |   |   |
|------|---|---|
| 31.1 | Certification of David Hagan, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  | X |
| 31.2 | Certification of Peter Hovenier, Chief Financial Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   | X |
| 32.1 | Certification of David Hagan, Chief Executive Officer, and Peter Hovenier, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   | X |
| 101  | The following financial information from the Quarterly Report on Form 10-Q of Boingo Wireless, Inc. for the quarter ended September 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012 for Boingo Wireless, Inc.; (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2013 and 2012 for Boingo Wireless, Inc.; (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012 for Boingo Wireless, Inc.; (iv) Condensed Consolidated Statements of Equity for Boingo Wireless, Inc.; and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. |   |

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Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**BOINGO WIRELESS, INC.**

Date: November 12, 2013

By:

/s/ DAVID HAGAN  
**David Hagan**  
**Chief Executive Officer**

**BOINGO WIRELESS, INC.**

Date: November 12, 2013

By:

/s/ PETER HOVENIER  
**Peter Hovenier**  
**Chief Financial Officer**  
**(Principal Accounting Officer)**