BLACKHAWK NETWORK HOLDINGS, INC
Form 10-Q
October 22, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 12, 2015
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: 001-35882

BLACKHAWK NETWORK HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	43-2099257 (I.R.S. Employer Identification No.)
6220 Stoneridge Mall Road Pleasanton, CA	94588
(Address of Principal Executive Offices)	(Zip Code)

(925) 226-9990
(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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 ý
As of October 13, 2015, there were 54,641,000 shares of the Registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	September 12, 2015	January 3, 2015	September 6, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$214,722	$911,615	$219,851
Restricted cash	43,043	5,000	5,000
Settlement receivables, net	240,273	526,587	272,912
Accounts receivable, net	188,912	181,431	125,976
Deferred income taxes	33,722	38,456	20,145
Other current assets	107,950	95,658	71,802
Total current assets	828,622	1,758,747	715,686
Property, equipment and technology, net	154,085	130,008	94,971
Intangible assets, net	230,213	170,957	84,973
Goodwill	382,803	331,265	162,373
Deferred income taxes	328,417	1,678	727
Other assets	78,294	93,086	86,590
TOTAL ASSETS	$2,002,434	$2,485,741	$1,145,320

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (continued)
(In thousands, except par value)
(Unaudited)

	September 12, 2015	January 3, 2015	September 6, 2014
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Settlement payables	$469,590	$1,383,481	$472,629
Consumer and customer deposits	102,633	133,772	65,607
Accounts payable and accrued operating expenses	112,753	117,118	89,633
Deferred revenue	91,474	48,114	23,934
Note payable, current portion	37,378	11,211	8,708
Notes payable to Safeway	13,129	27,678	8,473
Bank line of credit	100,000	—	—
Other current liabilities	43,320	54,238	23,551
Total current liabilities	970,277	1,775,612	692,535
Deferred income taxes	15,590	45,375	23,312
Note payable	325,151	362,543	165,446
Other liabilities	4,867	14,432	20,325
Total liabilities	1,315,885	2,197,962	901,618
Commitments and contingencies (see Note 10)			
Stockholders' equity:			
Preferred stock: $0.001 par value; 10,000 shares authorized; no shares outstanding	—	—	—
Common stock: $0.001 par value; 210,000 shares authorized; 54,641, 53,505 and 52,975 shares outstanding, respectively	55	54	54
Additional paid-in capital	547,230	137,916	124,759
Accumulated other comprehensive loss	(31,535)	(19,470)	(7,556)
Retained earnings	166,370	162,439	119,730
Total Blackhawk Network Holdings, Inc. equity	682,120	280,939	236,987
Non-controlling interests	4,429	6,840	6,715
Total stockholders' equity	686,549	287,779	243,702
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,002,434	$2,485,741	$1,145,320

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(In thousands, except for per share amounts)
(Unaudited)

	12 weeks ended		36 weeks ended	
	September 12, 2015	September 6, 2014	September 12, 2015	September 6, 2014
OPERATING REVENUES:				
Commissions and fees	$231,492	$201,888	$709,339	$596,324
Program, interchange, marketing and other fees	77,727	43,895	231,054	119,981
Product sales	43,446	23,244	104,251	69,781
Total operating revenues	352,665	269,027	1,044,644	786,086
OPERATING EXPENSES:				
Partner distribution expense	161,852	142,542	494,193	415,277
Processing and services	68,246	46,715	198,272	133,654
Sales and marketing	49,954	36,668	156,653	111,120
Costs of products sold	40,577	21,946	97,593	66,745
General and administrative	22,136	16,163	62,186	41,700
Transition and acquisition	5,275	326	6,091	360
Amortization of acquisition intangibles	6,875	3,004	18,352	10,839
Change in fair value of contingent consideration	—	—	(7,567)	—
Total operating expenses	354,915	267,364	1,025,773	779,695
OPERATING INCOME (LOSS)	(2,250)	1,663	18,871	6,391
OTHER INCOME (EXPENSE):				
Interest income and other income (expense), net	(1,421)	182	(1,938)	126
Interest expense	(3,231)	(1,080)	(8,566)	(2,081)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(6,902)	765	8,367	4,436
INCOME TAX EXPENSE (BENEFIT)	(3,290)	352	4,435	1,844
NET INCOME (LOSS) BEFORE ALLOCATION TO NON-CONTROLLING INTERESTS	(3,612)	413	3,932	2,592
Loss (income) attributable to non-controlling interests, net of tax	(3)	142	63	238
NET INCOME (LOSS) ATTRIBUTABLE TO BLACKHAWK NETWORK HOLDINGS, INC.	$(3,615)	$555	$3,995	$2,830
EARNINGS (LOSS) PER SHARE:				
Basic	$(0.07)	$0.01	$0.07	$0.05
Diluted	$(0.07)	$0.01	$0.07	$0.05
Weighted average shares outstanding—basic	54,467	52,609	53,941	52,450
Weighted average shares outstanding—diluted	54,467	54,304	55,994	54,035

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	12 weeks ended		36 weeks ended	
	September 12, 2015	September 6, 2014	September 12, 2015	September 6, 2014
NET INCOME (LOSS) BEFORE ALLOCATION TO NON-CONTROLLING INTERESTS	$(3,612)	$413	$3,932	$2,592
Other comprehensive loss:				
Currency translation adjustments	(7,104)	(4,163)	(12,386)	(4,682)
COMPREHENSIVE LOSS BEFORE ALLOCATION TO NON-CONTROLLING INTERESTS	(10,716)	(3,750)	(8,454)	(2,090)
Comprehensive loss attributable to non-controlling interests (net of tax)	361	145	384	237
COMPREHENSIVE LOSS ATTRIBUTABLE TO BLACKHAWK NETWORK HOLDINGS, INC.	$(10,355)	$(3,605)	$(8,070)	$(1,853)

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	36 weeks ended	
	September 12, 2015	September 6, 2014
OPERATING ACTIVITIES:		
Net income before allocation to non-controlling interests	$3,932	$2,592
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of property, equipment and technology	27,765	17,951
Amortization of intangibles	21,634	14,202
Amortization of program development costs	20,032	17,779
Employee stock-based compensation expense	19,856	9,769
Distribution partner mark-to-market expense	—	(88)
Change in fair value of contingent consideration	(7,567)	—
Reversal of reserve for patent litigation	—	(3,852)
Excess tax benefit from stock-based awards	(5,018)	(1,364)
Deferred income taxes	13,371	—
Other	5,496	3,852
Changes in operating assets and liabilities:		
Settlement receivables	274,941	535,183
Settlement payables	(906,181)	(1,006,128)
Accounts receivable, current and long-term	(3,573)	8,721
Other current assets	(20,562)	1,450
Other assets	(9,996)	(21,466)
Consumer and customer deposits	(31,140)	6,542
Accounts payable and accrued operating expenses	(9,695)	(13,345)
Deferred revenue	(8,105)	(6,606)
Other current and long-term liabilities	4,385	(6,127)
Income taxes, net	(15,492)	(22,474)
Net cash used in operating activities	(625,917)	(463,409)
INVESTING ACTIVITIES:		
Expenditures for property, equipment and technology	(37,310)	(25,960)
Business acquisitions, net of cash acquired	(78,394)	(14,159)
Change in restricted cash	(38,043)	(5,000)
Other	(561)	—
Net cash used in investing activities	(154,308)	(45,119)

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(In thousands)
(Unaudited)

	36 weeks ended	
	September 12, 2015	September 6, 2014
FINANCING ACTIVITIES:		
Dividends paid	(65)	(75)
Payments for acquisition liability	(1,811)	—
Proceeds from issuance of note payable	—	175,000
Payments of financing costs	(724)	(2,451)
Repayment of note payable	(11,250)	—
Borrowings under revolving bank line of credit	1,536,083	—
Repayments on revolving bank line of credit	(1,436,083)	—
Proceeds from notes payable to Safeway	—	8,473
Repayment on notes payable to Safeway	(6,320)	—
Repayment of debt assumed in business acquisitions	—	(7,474)
Proceeds from issuance of common stock from exercise of employee stock options and employee stock purchase plans	8,055	5,895
Other stock-based compensation related	(610)	(659)
Excess tax benefit from stock-based awards	5,018	1,364
Other	(1,494)	(44)
Net cash provided by financing activities	90,799	180,029
Effect of exchange rate changes on cash and cash equivalents	(7,467)	(2,030)
Decrease in cash and cash equivalents	(696,893)	(330,529)
Cash and cash equivalents—beginning of period	911,615	550,380
Cash and cash equivalents—end of period	$214,722	$219,851
NONCASH FINANCING AND INVESTING ACTIVITIES		
Net deferred tax assets recognized for tax basis step-up with offset to Additional paid-in capital (see Note 9—Income Taxes)	$366,306	$—
Note payable to Safeway contributed to Additional paid-in capital (see Note 9—Income Taxes)	$8,229	$—
Intangible assets recognized for warrants issued	$3,147	$—
Financing of business acquisition with contingent consideration	$—	$13,100

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The Company and Significant Accounting Policies

The Company

Blackhawk Network Holdings, Inc., together with its subsidiaries (we, us, our), is a leading prepaid payment network utilizing proprietary technology to offer a broad range of prepaid gift, telecom and debit cards, in physical and electronic forms, as well as related prepaid products and payment services in the United States and 23 other countries. Our product offerings include single-use gift cards; loyalty, incentive and reward products and services; prepaid telecom products and prepaid financial services products, including general purpose reloadable (GPR) cards, and our reload network (collectively, prepaid products). We offer gift cards from leading consumer brands (known as closed loop) as well as branded gift and incentive cards from leading payment network card associations such as American Express, Discover, MasterCard and Visa (known as open loop) and prepaid telecom products offered by prepaid wireless telecom carriers. We also distribute GPR cards, including Green Dot and NetSpend branded cards, as well as PayPower, our proprietary GPR card. We operate a proprietary reload network named Reloadit, which allows consumers to reload funds onto their previously purchased GPR cards. We distribute products across multiple high-traffic channels such as grocery, convenience, specialty and online retailers (referred to as retail distribution partners) in the Americas, Europe, Africa, Australia and Asia.

Spin-Off

Before April 14, 2014, we were a majority-owned subsidiary of Safeway Inc. (Safeway). On April 14, 2014, Safeway distributed its remaining 37.8 million shares of our Class B common stock to Safeway stockholders (the Spin-Off). As a result of the Spin-Off, we became a stand-alone entity separate from Safeway. See Note 9—Income Taxes for disclosures regarding this relationship.

Conversion of Class B Common Stock

On May 21, 2015, following approval of our Board of Directors and stockholders, we amended our Certificate of Incorporation to eliminate our dual-class common stock structure by converting all outstanding shares of our Class B common stock into shares of Class A common stock on a one-for-one basis and renaming Class A common stock as common stock (collectively, the Conversion). As a result of the Conversion, we have retrospectively presented Class A and Class B common stock as common stock in our condensed consolidated financial statements and related notes for all periods presenting, including within earnings per share. This retrospective presentation had no impact on previously reported amounts of earnings per share as Class A and Class B common stock had equal rights to dividends as declared by our Board of Directors.

Basis of Presentation

The accompanying condensed consolidated financial statements of Blackhawk Network Holdings, Inc. are unaudited. We have prepared our unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. We have condensed or omitted certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP pursuant to such rules and regulations. Accordingly, our interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K, filed with the SEC on March 4, 2015 (the Annual Report). We have prepared our condensed consolidated financial statements on the same basis as our annual audited consolidated financial statements and, in the opinion of management, have reflected all adjustments, which include only normal recurring adjustments, necessary to present fairly our financial position and results of operations for the interim periods presented. Our results for the interim periods are not necessarily reflective of the results to be expected for the year ending January 2, 2016 or for any other interim period or other future year. Our condensed consolidated balance sheet as of January 3, 2015, included herein was derived from our audited consolidated financial statements as of that date but does not include all disclosures required by GAAP for annual financial statements, including notes to the financial statements.

Our condensed consolidated financial statements include those of Blackhawk Network Holdings, Inc., a Delaware corporation, and its wholly- or majority-owned domestic and foreign subsidiaries. All intercompany transactions and balances among us and our subsidiaries have been eliminated in consolidation. Our condensed consolidated financial statements have been prepared as if we existed on a stand-alone basis separate from Safeway for the periods presented, but may not necessarily reflect the results of operations, financial position or cash flows that would have been achieved if we had existed on a stand-alone basis separate from Safeway during the periods presented.

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Prior to the Spin-Off, our condensed consolidated financial statements included an allocation of expenses arising from certain shared services and infrastructure provided by Safeway. These expenses primarily related to facilities rental and tax services and were allocated using actual costs or estimates based on the portion of services used by us. Management believes that the allocation methodology was reasonable and considers the charges to be a reasonable reflection of the cost of benefits received. Following the Spin-Off, Safeway continues to rent facilities to us and provide certain tax services (related to tax periods through the date of the Spin-Off) based on similar pricing terms as prior to the Spin-Off.

Significant Accounting Policies

There have been no material changes to our significant accounting policies, as compared to the significant accounting policies described in the audited consolidated financial statements and related notes included in the Annual Report. As a result of our acquisition of Achievers Corp. and its subsidiaries, we provide below our revenue recognition policy with respect to its revenues.

Revenue Recognition—Achievers

Our Achievers business earns revenue from its business clients for use of our employee reward platform and redemption of employee rewards. We allocate the total consideration received from our business clients between these two elements based on their relative stand-alone fair value. We recognize revenue related to the software platform over the service period in Program, interchange, marketing and other, and we recognize revenue for the reward redemptions when the employee receives the reward. For the redemption of rewards, we evaluate whether we act as the principal or agent in providing the reward to the employee. We have concluded that we act as the principal for closed loop gift cards and merchandise rewards and present such revenue in Product sales and as the agent for open loop gift cards and present such revenue, net of the amounts paid to the supplier, in Program, interchange, marketing and other.

Use of Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. We generally base our estimates and assumptions on a combination of historical factors, current circumstances, and the experience and judgment of management. Significant estimates and assumptions include, among other things, allowances for doubtful accounts and sales adjustments, useful lives of assets, card redemption patterns and lives, delivery timing for product sales and valuation assumptions with respect to acquisition liabilities, goodwill, other intangible assets, stock-based compensation and income taxes. Actual results could differ from our estimates.

Seasonality

A significant portion of gift card sales occurs in late December of each year during the holiday selling season. As a result, we earn a significant portion of revenues, net income and cash inflows during the fourth fiscal quarter of each year and remit the majority of the cash, less commissions, to our content providers in January of the following year. The timing of our fiscal year-end, December holiday sales and the related January cash settlement with content providers significantly increases our Cash and cash equivalents, Settlement receivables and Settlement payables balances at the end of each fiscal year relative to normal daily balances. The cash settlement with our content providers in January accounts for the majority of the use of cash from operating activities in our condensed consolidated statements of cash flows during our first three fiscal quarters. Additionally, our operating income may fluctuate significantly during our first three fiscal quarters due to lower revenues and timing of certain expenses during such fiscal periods. As a result, quarterly financial results are not necessarily reflective of the results to be expected for the year, any other interim period or other future year.

Recently Issued Accounting Pronouncements

In April 2015 and August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03 Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs and ASU 2015-15 Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, respectively. ASU 2015-03 requires an entity to present debt issuance costs related to a recognized debt liability on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-15 provides the

SEC's guidance to permit an entity to present debt issuance costs related to line-of-credit arrangements as an asset on the balance sheet. ASU 2015-03 is effective for annual and interim periods beginning after December 15, 2015 on a retrospective basis. We do not expect the adoption of ASU 2015-03 and ASU 2015-15 to materially affect our consolidated balance sheets.

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In July 2015, the FASB issued ASU 2015-11 Inventory (Topic 330): Simplifying the Measurement of Inventory. ASU 2015-11 requires an entity to measure inventory, other than inventory accounted for under last-in, first-out method or retail inventory method, at the lower of cost or net realizable value. ASU 2015-11 is effective for annual and interim periods beginning after December 15, 2016 on a prospective basis. We do not expect the adoption of ASU 2015-11 to materially affect our consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. ASU 2015-14 deferred the effective date of ASU 2014-09 Revenue from Contracts with Customers (Topic 606) from annual and interim periods beginning after December 15, 2016 to December 15, 2017. As discussed in our Annual Report, management continues to evaluate the impact of ASU 2014-09.

In September 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, to record an acquisition-to-date adjustment, in the same period’s financial statements, for the effect on earnings of changes in depreciation, amortization, or other income and to disclose the amount of such adjustment that related to prior periods. ASU 2015-16 is effective prospectively for annual and interim periods beginning after December 15, 2016 on a prospective basis. We do not expect the adoption of ASU 2015-16 to materially affect our consolidated financial statements.

Reclassifications and Measurement Period Adjustment

In our condensed consolidated statements of income, we have reclassified amounts within operating expenses in the prior year period to conform with the current presentation, reclassifying compensation to our retail distribution partners from Sales and marketing to Partner distribution expense and presenting the components of Business acquisition expense (benefit) and amortization of acquisition intangibles as separate line items. In our condensed consolidated balance sheets, we have reclassified Deferred revenue as a separate line item from previously reported amounts in Other current liabilities and made the corresponding reclassification in our condensed consolidated statements of cash flows. We have also combined certain immaterial line items in our condensed consolidated statements of cash flows.

We have retrospectively adjusted our balance sheet as of September 6, 2014 from previously reported amounts for a measurement period adjustment to the initial purchase price allocation of CardLab by reducing our contingent consideration liability by $11.0 million, goodwill by $10.4 million and identifiable intangible and technology assets by $0.6 million.

2. Business Acquisitions

2015 Acquisition

On June 30, 2015, we acquired Achievers Corp. and its subsidiaries (collectively, Achievers), a leading provider of employee recognition and rewards solutions designed to help companies increase employee engagement primarily in the U.S. and Canada, for purchase consideration of $103.5 million in cash through a merger. The acquisition has allowed us to deliver expanded capabilities and products in the employee rewards market. We accounted for this acquisition as a business combination and have included its results of operations in our consolidated financial statements starting on the acquisition date.

The following table summarizes the initial purchase price allocation, and we may make adjustments to these amounts through the one year measurement period as we finalize information regarding our forecasts, valuation assumptions, income taxes and contingencies (in thousands):

Cash	$24,367
Assumed liabilities, net	(10,725)
Deferred revenue	(52,339)
Deferred income taxes	(12,698)
Identifiable technology and intangible assets	97,780
Goodwill	57,107
Total purchase consideration	$103,492

Deferred income taxes include $24.3 million of deferred tax assets for net operating loss carryforwards, partially offset by a reserve of $4.6 million, $31.5 million of deferred tax liabilities for nondeductible amortization of identifiable technology and intangible assets and $0.9 million for other deferred tax liabilities, net.

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Goodwill includes the estimated value of the future cash flows from new customers and the value of the assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

The follow table presents the components of the identifiable technology and intangible assets and their estimated useful lives at the acquisition date (dollars in thousands):

	Fair Value	Useful Life
Customer relationships	$74,430	15 years
Backlog	6,410	4 years
Technology	16,940	6 years
Total identifiable technology and intangible assets	$97,780	

Customer relationships represent the estimated fair value of the underlying relationships and agreements with Achievers' business clients. Back-log represents the estimated fair value for committed spending from these clients. Technology represents the fair value of Achievers' employee recognition and reward platform.

We valued customer relationships, back-log, and technology using the income approach. Significant assumptions include forecasts of revenues, costs of revenue and development costs and the estimated attrition rates for clients of 8%. We discounted the cash flows at various rates from 12.0% to 16.0%, reflecting the different risk profiles of the assets.

Acquisition-related costs totaled $0.9 million and $1.7 million for the 12 and 36 weeks ended September 12, 2015, respectively, which we present in Transition and acquisition expense. Additionally, we incurred $3.2 million of employee compensation costs for certain payments that were deducted from the sellers' consideration under the terms of the merger agreement but which we reflect in our post-combination financial statements in Transition and acquisition expense.

The following table presents revenue and net income for Achievers for both the 12 weeks and 36 weeks ended September 12, 2015 included in our condensed consolidated statements of income (in thousands):

Total revenues	$9,415
Net loss attributable to Blackhawk Network Holdings, Inc.	(4,971)

The net loss excludes pre-tax revenue of $2.6 million resulting from the step down in basis of deferred revenue from its book value to its fair value (which were also excluded from total revenues). The net loss includes pre-tax charges of $3.2 million for the employee compensation charges described above and $1.7 million for the amortization of customer relationships and backlog (included in Amortization of acquisition intangibles). Collectively, these resulted in an after-tax net loss of $4.8 million.

The following pro forma financial information summarizes the combined results of operations of us and Achievers as though we had been combined as of the beginning of fiscal 2014 (in thousands):

	12 weeks ended		36 weeks ended	
	September 12, 2015	September 6, 2014	September 12, 2015	September 6, 2014
Total revenues	$354,998	$280,056	$1,072,638	$814,768
Net income (loss) attributable to Blackhawk Network Holdings, Inc.	616	(5,982)	(1,130)	(21,159)
Earnings (loss) per share—basic	$0.01	$(0.11)	$(0.02)	$(0.40)
Earnings (loss) per share—diluted	$0.01	$(0.11)	$(0.02)	