

Bazaarvoice Inc
Form 10-Q
September 02, 2015
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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 July 31, 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 001-35433

BAZAARVOICE, INC.
(Exact name of registrant as specified in its charter)

State of Delaware 20-2908277
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3900 N. Capital of Texas Highway, Suite 300 78746-3211
Austin, Texas
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (512) 551-6000

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares of the registrant's common stock outstanding as of August 28, 2015 was 80,543,474.

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Condensed Consolidated Balance Sheets

(in thousands, except shares and per share data)

(unaudited)

	July 31, 2015	April 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$53,450	\$54,041
Short-term investments	49,696	52,730
Accounts receivable, net of allowance for doubtful accounts of \$4,175 and \$3,992 as of July 31, 2015 and April 30, 2015, respectively	50,523	49,532
Prepaid expenses and other current assets	8,471	12,977
Total current assets	162,140	169,280
Property, equipment and capitalized internal-use software development costs, net	19,351	19,054
Goodwill	139,155	139,155
Acquired intangible assets, net	11,025	11,498
Other non-current assets	4,305	3,974
Total assets	\$335,976	\$342,961
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$3,146	\$3,539
Accrued expenses and other current liabilities	24,062	27,397
Deferred revenue	63,100	60,400
Total current liabilities	90,308	91,336
Long-term liabilities:		
Revolving line of credit	57,000	57,000
Deferred revenue less current portion	2,329	2,530
Deferred tax liability, long-term	81	81
Other liabilities, long-term	642	631
Total liabilities	150,360	151,578
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock – \$0.0001 par value; 150,000,000 shares authorized, 80,734,145 shares issued and 80,534,145 shares outstanding as of July 31, 2015; 150,000,000 shares authorized, 80,346,488 shares issued and 80,146,488 shares outstanding at April 30, 2015	8	8
Treasury stock, at cost – 200,000 shares as of July 31, 2015 and April 30, 2015	—	—
Additional paid-in capital	422,926	418,509
Accumulated other comprehensive loss	(578	) (638
Accumulated deficit	(236,740	) (226,496
Total stockholders' equity	185,616	191,383
Total liabilities and stockholders' equity	\$335,976	\$342,961

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

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Bazaarvoice, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except net loss per share data)
(unaudited)

	Three Months Ended July 31,	
	2015	2014
Revenue	\$48,876	\$45,977
Cost of revenue	19,548	16,356
Gross profit	29,328	29,621
Operating expenses:		
Sales and marketing	19,166	20,995
Research and development	10,533	9,730
General and administrative	8,238	7,893
Acquisition-related and other	702	492
Amortization of acquired intangible assets	309	309
Total operating expenses	38,948	39,419
Operating loss	(9,620	) (9,798
Other income (expense), net:		
Interest income	77	6
Interest expense	(571	) (232
Other expense	(218	) (272
Total other expense, net	(712	) (498
Loss from continuing operations before income taxes	(10,332	) (10,296
Income tax expense (benefit)	(88	) 12
Net loss from continuing operations	\$(10,244	) \$(10,308
Loss from discontinued operations, net of tax	—	(1,257
Net loss applicable to common stockholders	\$(10,244	) \$(11,565
Net loss per share applicable to common stockholders:		
Continuing operations	\$(0.13	) \$(0.13
Discontinued operations	—	(0.02
Basic and diluted loss per share:	\$(0.13	) \$(0.15
Basic and diluted weighted average number of shares outstanding	80,174	77,766

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

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Bazaarvoice, Inc.
 Condensed Consolidated Statements of Comprehensive Loss
 (in thousands)
 (unaudited)

	Three Months Ended July 31,	
	2015	2014
Net loss	\$(10,244	) \$(11,565
Other comprehensive gain (loss), net of tax:		
Foreign currency translation adjustment	30	(2
Unrealized gain on investments	30	47
Total other comprehensive gain, net of tax	60	45
Comprehensive loss	\$(10,184	) \$(11,520

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

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Bazaarvoice, Inc.
 Condensed Consolidated Statement of Changes in Stockholders' Equity
 (in thousands)
 (unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Number of Shares	Amount	Number of Shares	Amount				
Balance at April 30, 2015	80,346	\$8	(200)	\$—	\$418,509	\$ (638)	\$ (226,496)	\$ 191,383
Stock-based expense	—	—	—	—	4,049	—	—	4,049
Issuance of restricted stock awards	54	—	—	—	—	—	—	—
Exercise of stock options and vested restricted stock units	334	—	—	—	368	—	—	368
Change in foreign currency translation adjustment	—	—	—	—	—	30	—	30
Change in unrealized gain on investments	—	—	—	—	—	30	—	30
Net loss applicable to common stockholders	—	—	—	—	—	—	(10,244)	(10,244)
Balance at July 31, 2015	80,734	\$8	(200)	\$—	\$422,926	\$ (578)	\$ (236,740)	\$ 185,616

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

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Bazaarvoice, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended July 31, 2015	2014	
Operating activities:			
Net loss	\$(10,244	)	\$(11,565)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	3,644		2,810
Loss on disposal of discontinued operations, net of tax	—		1,537
Stock-based expense	4,049		3,246
Bad debt expense	85		601
Excess tax benefit related to stock-based expense	—		(1)
Amortization of deferred financing costs	59		—
Other non-cash expense	51		169
Changes in operating assets and liabilities:			
Accounts receivable	(1,076	)	435
Prepaid expenses and other current assets	(48	)	(145)
Other non-current assets	(314	)	(319)
Accounts payable	(808	)	208
Accrued expenses and other current liabilities	(4,162	)	(2,388)
Deferred revenue	2,498		2,349
Other liabilities, long-term	4		(349)
Net cash used in operating activities	(6,262	)	(3,412)
Investing activities:			
Proceeds from sale of discontinued operations	4,501		25,500
Purchases of property, equipment and capitalized internal-use software development costs	(3,043	)	(3,280)
Purchases of short-term investments	(15,155	)	(38,858)
Proceeds from maturities of short-term investments	18,172		11,655
Net cash provided by (used in) investing activities	4,475		(4,983)
Financing activities:			
Proceeds from employee stock compensation plans	1,101		1,156
Excess tax benefit related to stock-based expense	—		1
Net cash provided by financing activities	1,101		1,157
Effect of exchange rate fluctuations on cash and cash equivalents	95		8
Net change in cash and cash equivalents	(591	)	(7,230)
Cash and cash equivalents at beginning of period	54,041		31,934
Cash and cash equivalents at end of period	\$53,450		\$24,704
Supplemental disclosure of other cash flow information:			
Cash paid for income taxes, net of refunds	\$335		\$461
Cash paid for interest	\$542		\$222
Supplemental disclosure of non-cash investing and financing activities:			
Purchase of fixed assets recorded in accounts payable	\$413		\$—

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

These Condensed Consolidated Statement of Cash Flows include combined cash flows from continuing operations along with discontinued operations.

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Bazaarvoice, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Nature of Operations

Bazaarvoice, Inc. (“Bazaarvoice” or the “Company”) is a network that connects brands and retailers to the authentic voices of people where they shop. Bazaarvoice was founded on the premise that the collective voice of the marketplace is the most powerful marketing tool in the world because of its influence on purchasing decisions, both online and offline. The Company’s technology platform collects, curates, and displays consumer-generated content including ratings and reviews, questions and answers, customer stories, and social posts, photos, and videos. This content is amplified across marketing channels, including category/product pages, search, brand sites, mobile applications, in-store displays, and paid and earned media, where it helps clients generate more revenue, market share, and brand affinity. The Company also helps clients leverage insights derived from consumer-generated content to improve marketing effectiveness, increase success of new product launches, improve existing products and services, effectively scale customer support, decrease product returns, and enable retailers to launch and manage on-site advertising solutions and site monetization strategies.

2. Summary of Significant Accounting Policies

Fiscal Year

The Company’s fiscal year end is April 30. References to fiscal year 2016, for example, refer to the fiscal year ending April 30, 2016.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended April 30, 2015, filed on June 25, 2015. There have been no significant changes to the Company’s accounting policies since April 30, 2015. The condensed consolidated balance sheet data as of April 30, 2015 was derived from the audited consolidated financial statements included in the Company’s Annual Report on form 10-K for the fiscal year ended April 30, 2015. On July 2, 2014, the Company completed the sale of its PowerReviews business. The operating results of this business have been presented as discontinued operations for the three month period ended July 31, 2014. The statement of cash flows is reported on a combined basis without separately presenting cash flows from discontinued operations. All other disclosures and amounts in the notes to the condensed consolidated financial statements relate to the Company’s continuing operations, unless otherwise indicated.

Prior Period Financial Statements Presentation

The Statement of Comprehensive Loss included in the financial statements in the Quarterly Report on Form 10-Q filed for the period ended July 31, 2014 incorrectly excluded the loss from discontinued operations in Comprehensive Loss for the quarterly period ended July 31, 2014. The Company has revised the Statement of Comprehensive Loss for the period included in this financial statement. Management concluded these errors were not material to the previously issued financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, allowance for doubtful accounts, income taxes, stock-based expense, accrued liabilities, useful lives of property, equipment and capitalized software development costs, among others. The Company bases its estimates on historical

experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates made by management with respect to these items.

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Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and the accounts of the Company's wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements and notes have been prepared in accordance with GAAP, as contained in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification for interim financial information and Article 10 of Regulation S-X issued by the SEC. Accordingly, they do not include all the information and footnotes required by GAAP for annual fiscal reporting periods. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the results of operations, financial position, changes in stockholders' equity and cash flows. The results of operations for the three months ended July 31, 2015 are not necessarily indicative of results that may be expected for the fiscal year ending April 30, 2016 or any other period.

Foreign Currency Translation

The U.S. dollar is the reporting currency for all periods presented. The functional currency of the Company's foreign subsidiaries is generally the local currency. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet da