

BLUCORA, INC.
Form 10-Q
May 02, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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: 000-25131

BLUCORA, INC.

(Exact name of registrant as specified in its charter)

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<p>Delaware (State or other jurisdiction of incorporation or organization)</p> <p>10900 NE 8th Street, Ste. 800 Bellevue, Washington (Address of principal executive offices)</p> <p>Registrant's telephone number, including area code: (425) 201-6100</p>	<p>91-1718107 (I.R.S. Employer Identification No.)</p> <p>98004 (Zip Code)</p>
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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 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<p>Class Common Stock, Par Value \$0.0001</p>	<p>Outstanding at April 26, 2013 40,988,899</p>
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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****BLUCORA, INC.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data and per share data)

	March 31, 2013	December 31, 2012
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 264,635	\$ 68,278
Short-term investments, available-for-sale	137,042	94,010
Accounts receivable, net of allowance of \$133 and \$10	41,256	34,932
Other receivables	4,226	3,942
Prepaid expenses and other current assets, net	7,842	10,911
Total current assets	455,001	212,073
Property and equipment, net	9,269	7,533
Goodwill	230,290	230,290
Other intangible assets, net	127,706	132,815
Other long-term assets	11,255	2,582
Total assets	\$ 833,521	\$ 585,293
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 41,043	\$ 37,687
Accrued expenses and other current liabilities	20,440	13,280
Deferred revenue	3,121	3,157
Short-term portion of long-term debt, net of discount of \$177 and \$160	6,948	4,590
Derivative instruments	8,564	8,974
Total current liabilities	80,116	67,688
Long-term liabilities:		
Long-term debt, net of discount of \$422 and \$468	66,949	69,278
Convertible senior notes	179,041	
Deferred tax liability	31,602	29,333
Deferred revenue	2,477	1,319
Other long-term liabilities	2,283	2,225
Total long-term liabilities	282,352	102,155
Total liabilities	362,468	169,843
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, par value, \$0.0001 authorized, 900,000,000 shares; issued and outstanding, 40,933,111 and 40,832,393 shares	4	4
Additional paid-in capital	1,424,009	1,392,098
Accumulated deficit	(952,768)	(976,376)
Accumulated other comprehensive loss	(192)	(276)

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Total stockholders' equity	471,053	415,450
Total liabilities and stockholders' equity	\$ 833,521	\$ 585,293

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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Table of Contents**BLUCORA, INC.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands, except per share data)

	Quarters ended March 31,	
	2013	2012
Revenues	\$ 165,338	\$ 115,696
Cost of sales (includes amortization of acquired intangible assets of \$1,940 and \$1,511)	78,675	59,547
Gross profit	86,663	56,149
Expenses and other loss, net:		
Engineering and technology	2,538	2,573
Sales and marketing	36,796	19,443
General and administrative	6,384	11,066
Depreciation	517	535
Amortization of intangible assets	3,169	2,113
Other loss, net	1,005	1,555
Total expenses and other loss, net	50,409	37,285
Income before income taxes	36,254	18,864
Income tax expense	(12,646)	(7,458)
Net income	\$ 23,608	\$ 11,406
Income per share - Basic		
Basic net income per share	\$ 0.58	\$ 0.29
Weighted average shares outstanding used in computing basic net income per share	40,911	39,692
Income per share - Diluted		
Diluted net income per share	\$ 0.53	\$ 0.28
Weighted average shares outstanding used in computing diluted net income per share	44,294	40,978
Other comprehensive income:		
Net income	\$ 23,608	\$ 11,406
Unrealized gain (loss) on investments, available-for-sale	44	(26)
Unrealized gain on derivative instrument	40	
Other comprehensive income (loss)	84	(26)
Comprehensive income	\$ 23,692	\$ 11,380

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**BLUCORA, INC.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Quarters ended March 31,	
	2013	2012
Operating activities:		
Net income	\$ 23,608	\$ 11,406
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	2,485	2,422
Warrant-related stock-based compensation		4,286
(Gain) loss on derivative instrument	(348)	272
Depreciation and amortization of intangible assets	6,112	4,575
Excess tax benefits from stock-based award activity	(17,842)	(12,058)
Deferred income taxes	(6,668)	(5,462)
Unrealized amortization of premium on investments, net	391	(327)
Amortization of debt issuance costs	107	331
Accretion of debt discount	161	135
Other	55	26
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	(6,225)	2,971
Other receivables	(284)	657
Prepaid expenses and other current assets	3,587	(1,564)
Other long-term assets	(114)	1,863
Accounts payable	3,122	(3,713)
Deferred revenue	1,122	2,054
Accrued expenses and other current and long-term liabilities	22,486	11,174
Net cash provided by operating activities	31,755	19,048
Investing activities:		
Business acquisition, net of cash acquired		(279,386)
Equity investment in privately-held company	(4,000)	
Purchases of property and equipment	(1,543)	(193)
Change in restricted cash	231	767
Proceeds from sales of investments		163,883
Proceeds from maturities of investments	18,718	20,020
Purchases of investments	(62,077)	
Net cash used by investing activities	(48,671)	(94,909)
Financing activities:		
Proceeds from issuance of convertible debt, net of debt issuance costs of \$6,037	195,213	
Proceeds from loan, net of debt issuance costs of \$2,343 and debt discount of \$953		96,704
Repayment of debt		(15,000)
Excess tax benefits from stock-based award activity	17,842	12,058
Proceeds from stock option exercises	293	2,063
Proceeds from issuance of stock through employee stock purchase plan	461	189
Tax payments from shares withheld upon vesting of restricted stock units	(536)	(210)
Net cash provided by financing activities	213,273	95,804
Net increase in cash and cash equivalents	196,357	19,943
Cash and cash equivalents:		

Beginning of period