

inContact, Inc.
Form 10-Q
August 05, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 June 30, 2016

Commission File No. 1-33762

inContact, Inc.

(Exact name of registrant as specified in its charter)

Delaware 87-0528557
(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification No.)
75 West Towne Ridge Parkway, Tower 1, Sandy, UT 84070

(Address of principal executive offices and Zip Code)

(801) 320-3200

(Registrant's telephone number, including area code)

Edgar Filing: inContact, Inc. - Form 10-Q

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 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
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:

Class	Outstanding as of August 1, 2016
Common Stock, \$0.0001 par value	62,535,471 shares

TABLE OF CONTENTS

ITEM NUMBER AND CAPTION

PART I – FINANCIAL INFORMATION

	Page
Item 1. Financial Statements	
<u>Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 (unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	4
<u>Condensed Consolidated Statement of Stockholders' Equity for the Six Months Ended June 30, 2016 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015 (unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7

Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
--	----

Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	32
---	----

Item 4. <u>Controls and Procedures</u>	32
--	----

PART II – OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	33
----------------------------------	----

Item 1A. <u>Risk Factors</u>	33
------------------------------	----

Item 2. <u>Unregistered Sale of Equity Securities and Use of Proceeds</u>	35
---	----

Item 6. <u>Exhibits</u>	36
-------------------------	----

<u>Signatures</u>	37
-------------------	----

INCONTACT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS—(Unaudited)

(in thousands, except per share data)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$37,864	\$29,050
Restricted cash	-	81
Investments	54,812	75,109
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,789		
and \$2,555, respectively	37,384	37,185
Other current assets	8,365	9,243
Total current assets	138,425	150,668
Property and equipment, net	52,542	42,569
Intangible assets, net	28,351	19,232
Goodwill	49,016	39,247
Other assets	3,184	2,421
Total assets	\$271,518	\$254,137
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$16,212	\$11,607
Accrued liabilities	15,757	12,828
Accrued commissions	4,581	4,615
Current portion of deferred revenue	14,270	11,530
Total current liabilities	50,820	40,580
Deferred revenue	6,824	6,082
Deferred rent and lease incentive obligation	6,381	3
Deferred tax liability, net	348	230
Long-term debt	84,122	81,985
Total liabilities	148,495	128,880
Commitments and contingencies (see note 10)		
Stockholders' equity:		
Common stock, \$0.0001 par value; 100,000 shares authorized; 62,514 and 61,826		
shares issued and outstanding as of June 30, 2016 and December 31, 2015,		
respectively	6	6
Additional paid-in capital	261,693	253,986
Accumulated deficit	(138,687)	(128,654)

Edgar Filing: inContact, Inc. - Form 10-Q

Accumulated other comprehensive income (loss)	11	(81)
Total stockholders' equity	123,023	125,257
Total liabilities and stockholders' equity	\$271,518	\$254,137

See accompanying notes to Condensed Consolidated Financial Statements.

INCONTACT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE LOSS

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net revenue:				
Software	\$42,360	\$34,052	\$83,908	\$66,518
Network connectivity	21,438	19,019	42,277	37,891
Total net revenue	63,798	53,071	126,185	104,409
Costs of revenue:				
Software	17,274	14,360	33,939	28,057
Network connectivity	13,486	11,983	26,922	23,794
Total costs of revenue	30,760	26,343	60,861	51,851
Gross profit	33,038	26,728	65,324	52,558
Operating expenses:				
Selling and marketing	18,117	16,264	36,327	31,739
Research and development	9,220	7,040	17,829	13,693
General and administrative	11,274	8,871	19,949	17,949
Total operating expenses	38,611	32,175	74,105	63,381
Loss from operations	(5,573)	(5,447)	(8,781)	(10,823)
Other income (expense):				
Interest expense	(1,819)	(1,768)	(3,582)	(2,202)
Interest income	172	58	326	58
Other expense	(5)	(1)	(6)	-
Total other expense	(1,652)	(1,711)	(3,262)	(2,144)
Loss before income taxes	(7,225)	(7,158)	(12,043)	(12,967)
Income tax benefit (expense)	(194)	(132)	2,396	(311)
Net loss	\$(7,419)	\$(7,290)	\$(9,647)	\$(13,278)
Other comprehensive loss, net of taxes:				
Net change in unrealized gain (loss) in				
available for sale investments	(60)	(20)	11	(20)
Comprehensive loss	\$(7,479)	\$(7,310)	\$(9,636)	\$(13,298)
Net loss per common share:				
Basic and diluted	\$(0.12)	\$(0.12)	\$(0.15)	\$(0.22)
Weighted average common shares outstanding:				
Basic and diluted	62,649	61,501	62,456	61,263

See accompanying notes to Condensed Consolidated Financial Statements.

INCONTACT, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY—(Unaudited)

(in thousands)

	Common Stock		Additional	Treasury Stock		Accumulated	Accumulated	Other	Total
	Shares	Amount	Paid-in Capital	Shares	Amount	Deficit	Comprehensive Income (Loss)		
Balance at December 31, 2015	61,826	\$ 6	\$ 253,986	-	\$ -	\$ (128,654)	\$ (81)	\$ 125,257	
Common stock received for settlement of taxes and forfeited restricted stock	-	-	-	(119)	(986)	-	-	(986)	
Common stock issued for options exercised	346	-	2,165	86	742	(308)	-	2,599	
Common stock issued under the employee stock purchase plan	97	-	753	10	129	(56)	-	826	
Issuance of common stock for acquisition of a business	64	-	344	-	-	-	-	344	
Stock-based compensation	-	-	4,538	-	-	-	-	4,538	
Vesting of restricted stock units	181	-	(93)	23	115	(22)	-	-	
Other comprehensive income	-	-	-	-	-	-	92	92	
Net loss	-	-	-	-	-	-	-	-	