

VERTICALNET INC
Form 10-Q
August 10, 2004
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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 June 30, 2004

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 000-25269

VERTICALNET, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of

23-2815834
(I.R.S. Employer

incorporation or organization)

Identification No.)

400 CHESTER FIELD PARKWAY

MALVERN, PENNSYLVANIA
(Address of principal executive offices)

19355
(Zip Code)

Registrant's telephone number, including area code: (610) 240-0600

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

The number of shares outstanding of the registrant's common stock as of August 6, 2004 was 33,919,984⁽¹⁾.

⁽¹⁾ The balance includes 5,100,000 shares that have not yet been issued by the Company, which it has agreed to issue pursuant to a merger that has been completed.

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VERTICALNET, INC.

FORM 10-Q

For the Quarterly Period Ended June 30, 2004

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(in thousands, except share and per share data)

	June 30, 2004	December 31, 2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,966	\$ 4,408
Accounts receivable, net	6,181	2,457
Prepaid expenses and other current assets	873	520
Total current assets	14,020	7,385
Property and equipment, net	1,037	116
Other investments	606	606
Goodwill	4,924	
Other intangible assets, net	3,442	900
Other assets	472	116
Total assets	\$ 24,501	\$ 9,123
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt and convertible notes	\$ 1,259	\$ 757
Accounts payable and accrued expenses	4,045	2,806
Deferred revenues	1,146	992
Other current liabilities		147
Total current liabilities	6,450	4,702
Long-term debt	61	
Total liabilities	6,511	4,702
Commitments and contingencies (see Notes 2, 6, and 7)		
Shareholders' equity:		
Preferred stock \$.01 par value, 10,000,000 shares authorized, none issued at June 30, 2004 and December 31, 2003		
	259	195

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Common stock \$.01 par value, 100,000,000 shares authorized, 25,867,203 shares issued at June 30, 2004 and 19,454,126 shares issued at December 31, 2003

Additional paid-in capital	1,203,185	1,184,691
Deferred compensation	(1,927)	(405)
Accumulated other comprehensive loss	(338)	(352)
Accumulated deficit	(1,182,384)	(1,178,903)
	<u>18,795</u>	<u>5,226</u>
Treasury stock at cost, 65,636 shares at June 30, 2004 and December 31, 2003	(805)	(805)
	<u>17,990</u>	<u>4,421</u>
Total shareholders' equity	<u>\$ 24,501</u>	<u>\$ 9,123</u>

See accompanying notes to consolidated financial statements.

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(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Revenues:				
Software license	\$ 180	\$ 35	\$ 319	\$ 274
Services and maintenance	6,355	2,142	10,752	5,334
Total revenues	6,535	2,177	11,071	5,608
Cost of revenues:				
Cost of software license	44	15	54	43
Cost of services and maintenance	2,641	482	4,427	1,119
Amortization of acquired technology and customer contracts	325	225	650	450
Total cost of revenues	3,010	722	5,131	1,612
Gross profit	3,525	1,455	5,940	3,996
Operating expenses:				
Research and development	1,248	903	2,445	2,022
Sales and marketing	1,459	590	2,525	1,248
General and administrative	1,341	867	2,835	2,356
Restructuring reversal		(302)		(309)
Stock-based compensation (a)	450	102	921	193
Amortization of other intangible assets	246		377	
Total operating expenses	4,744	2,160	9,103	5,510
Operating loss	(1,219)	(705)	(3,163)	(1,514)
Interest and other expense, net	33	465	318	849
Net loss	\$ (1,252)	\$ (1,170)	\$ (3,481)	\$ (2,363)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.09)	\$ (0.14)	\$ (0.17)
Weighted average common shares outstanding:				
Basic and diluted	25,598	13,676	24,500	13,539

(a) For the three and six months ended June 30, 2004 and 2003, stock-based compensation expense, net of the effects of cancellations, is attributable to various expense categories as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Cost of revenues	\$ 133	\$ 16	\$ 334	\$ 34
Research and development	115	1	185	1
Sales and marketing	57	8	127	17
General and administrative	145	77	275	141
Total	\$ 450	\$ 102	\$ 921	\$ 193

See accompanying notes to consolidated financial statements.

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VERTICALNET, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Six Months Ended	
	June 30,	
	2004	2003
Operating activities:		
Net loss	\$ (3,481)	\$ (2,363)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,211	761
Realized loss (gain) on investments	35	(113)
Other non-cash items	1,202	(813)
<i>Change in assets and liabilities, net of effect of acquisition:</i>		
Accounts receivable	(614)	76
Prepaid expenses and other assets	480	377
Accounts payable and accrued expenses	441	(3,329)
Deferred revenues	111	73
Net cash used in operating activities	(615)	(5,331)
Investing activities:		
Acquisition, net of cash acquired	(3,826)	
Purchase of short-term investments	(3,000)	
Proceeds from sale of short-term investments	2,980	979
Proceeds from sale of available-for-sale investments	2	
Restricted cash	(311)	1,686