

COUPONS.com Inc
Form 10-Q
August 13, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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: 001-36331

Coupons.com Incorporated

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

77-0485123
(I.R.S. Employer
Identification No.)

400 Logue Avenue, Mountain View, California
(Address of Principal Executive Offices)

94043
(Zip Code)

(650) 605-4600

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(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 No

Indicate by checkmark 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 time 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 definition 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 (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

As of August 7, 2015, the registrant had 83,239,098 shares of common stock outstanding.

COUPONS.COM INCORPORATED

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REPORT ON FORM 10-Q

FOR THE QUARTER ENDED June 30, 2015

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

COUPONS.COM INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

| | June 30, 2015 | December 31, 2014 |
|--|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$210,035 | \$ 201,075 |
| Accounts receivable, net of allowance for doubtful accounts of \$245 and \$408 at June 30, 2015 and December 31, 2014, respectively | 48,846 | 51,061 |
| Prefunded coupons cash deposits | 642 | 740 |
| Deferred tax assets | 427 | 457 |
| Prepaid expenses and other current assets | 4,677 | 2,972 |
| Total current assets | 264,627 | 256,305 |
| Property and equipment, net | 25,952 | 25,399 |
| Intangible assets, net | 10,352 | 11,818 |
| Goodwill | 29,284 | 29,277 |
| Other assets | 8,398 | 9,008 |
| Total assets | \$338,613 | \$ 331,807 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$10,098 | \$ 6,358 |
| Accrued compensation and benefits | 9,467 | 14,861 |
| Other current liabilities | 17,879 | 15,790 |
| Prefunded coupons cash obligations | 642 | 740 |
| Deferred revenues | 6,992 | 6,219 |
| Debt obligation | 7,500 | 7,500 |
| Total current liabilities | 52,578 | 51,468 |
| Other non-current liabilities | 56 | 89 |
| Deferred rent | 806 | 738 |
| Deferred tax liabilities | 2,070 | 2,624 |
| Total liabilities | 55,510 | 54,919 |
| Commitments and contingencies (Note 12) | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.00001 par value—10,000,000 shares authorized and no shares issued | — | — |

or outstanding at June 30, 2015 and December 31, 2014

Common stock, \$0.00001 par value—250,000,000 shares authorized; 88,375,594 shares

issued and 83,318,189 outstanding at June 30, 2015; 86,224,920 shares issued

and 81,380,014 outstanding at December 31, 2014

| | | |
|--|-----------|------------|
| Additional paid-in capital | 1 | 1 |
| Treasury stock, at cost | 552,675 | 531,018 |
| Accumulated other comprehensive loss | (64,017) | (61,935) |
| Accumulated deficit | (18) | (1) |
| Total stockholders' equity | (205,538) | (192,195) |
| Total liabilities and stockholders' equity | 283,103 | 276,888 |
| | \$338,613 | \$ 331,807 |

See Accompanying Notes to Condensed Consolidated Financial Statements

COUPONS.COM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------|------------------|-------------|
| | June 30, 2015 | 2014 | June 30, 2015 | 2014 |
| Revenues | \$55,867 | \$51,715 | \$111,429 | \$103,216 |
| Costs and expenses: | | | | |
| Cost of revenues | 22,122 | 20,884 | 43,989 | 41,403 |
| Sales and marketing | 21,834 | 17,621 | 42,918 | 37,132 |
| Research and development | 11,839 | 10,981 | 24,781 | 27,248 |
| General and administrative | 7,867 | 8,857 | 16,358 | 17,907 |
| Change in fair value of contingent consideration | 2,076 | — | 1,722 | — |
| Total costs and expenses | 65,738 | 58,343 | 129,768 | 123,690 |
| Loss from operations | (9,871) | (6,628) | (18,339) | (20,474) |
| Interest expense | (82) | (300) | (162) | (602) |
| Gain on sale of a right to use a web domain name | — | — | 4,800 | — |
| Other income (expense), net | 40 | 31 | (21) | (107) |
| Loss before income taxes | (9,913) | (6,897) | (13,722) | (21,183) |
| Benefit from income taxes | (571) | — | (379) | (244) |
| Net loss | \$(9,342) | \$(6,897) | \$(13,343) | \$(20,939) |
| Net loss per share attributable to common stockholders, basic | | | | |
| and diluted | \$(0.11) | \$(0.09) | \$(0.16) | \$(0.37) |
| Weighted-average number of common shares used in computing | | | | |
| net loss per share attributable to common stockholders, basic | | | | |
| and diluted | 82,980 | 77,549 | 82,575 | 56,161 |

See Accompanying Notes to Condensed Consolidated Financial Statements

COUPONS.COM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|------------|
| | June 30, 2015 | 2014 | June 30, 2015 | 2014 |
| Net loss | \$(9,342) | \$(6,897) | \$(13,343) | \$(20,939) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 48 | 33 | (17) | 45 |
| Comprehensive loss | \$(9,294) | \$(6,864) | \$(13,360) | \$(20,894) |

See Accompanying Notes to Condensed Consolidated Financial Statements

COUPONS.COM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | Six Months Ended | |
|---|------------------|-------------|
| | June 30, 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net loss | \$(13,343) | \$(20,939) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,780 | 6,822 |
| Stock-based compensation | 17,439 | 21,253 |
| Accretion of debt discount | — | 113 |
| Amortization of debt issuance costs | 38 | 38 |
| Gain on sale of a right to use a web domain name | (4,800) | — |
| Allowance for doubtful accounts | (34) | 79 |
| Deferred income taxes | (525) | (244) |
| Change in fair value of contingent consideration | 1,722 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2,255 | (1,755) |
| Prepaid expenses and other current assets | (1,213) | 224 |
| Accounts payable and other current liabilities | 1,356 | 2,494 |
| Accrued compensation and benefits | (5,391) | (3,298) |
| Deferred revenues | 764 | 957 |
| Other | 2 | 313 |
| Net cash provided by operating activities | 6,050 | 6,057 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (3,961) | (4,970) |
| Acquisitions, net of acquired cash | — | 859 |
| Purchase of intangible assets | (35) | (16) |
| Proceeds from sale of a right to use a web domain name | 4,800 | — |
| Net cash provided by (used in) investing activities | 804 | (4,127) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 4,218 | 3,031 |
| Repurchases of common stock | (2,082) | — |
| Proceeds from initial public offering, net of offering costs | — | 176,525 |
| Exercise of warrant | — | 1,610 |
| Principal payments on capital lease obligations | (30) | (28) |
| Net cash provided by financing activities | 2,106 | 181,138 |
| Effect of exchange rates on cash and cash equivalents | — | (9) |
| Net increase in cash and cash equivalents | 8,960 | 183,059 |
| Cash and cash equivalents at beginning of period | 201,075 | 38,972 |

| | | |
|--|-----------|-----------|
| Cash and cash equivalents at end of period | \$210,035 | \$222,031 |
|--|-----------|-----------|

See Accompanying Notes to Condensed Consolidated Financial Statements

COUPONS.COM INCORPORATED

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

Coupons.com Incorporated (the “Company”) connects great brands and retailers with consumers by delivering digital promotions and media to consumers. Many brands from leading consumer packaged goods companies (“CPGs”) and many of the leading grocery, drug, dollar channel, club and mass merchandise retailers use the Company’s digital platform to engage consumers at the critical moments when they are choosing which products they will buy and where they will shop. The Company delivers digital coupons, including coupon codes, and media through its platform. The Company’s platform includes web, mobile and social channels, as well as those of the Company’s CPGs, retailers and its extensive network of publishers that display the Company’s coupon and media offerings on their websites and mobile applications. Consumers select coupons by either printing them for physical redemption at retailers or saving them to retailer loyalty accounts for automatic digital redemption.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. 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 U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

The Company’s condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year ending December 31, 2015 or for any other period.

There have been no changes to the Company’s significant accounting policies described in the Annual Report on Form 10-K that have had a material impact on its condensed consolidated financial statements and related notes.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the Company’s estimates, and such differences may be material to the accompanying condensed consolidated financial statements.

Reclassifications

Certain prior period financial statement amounts have been reclassified to conform to current period presentation.

Recently Issued Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued new guidance or Accounting Standards Update (“ASU”) 2015-03-Interest—Imputation of Interest (Subtopic 835-30) to simplify the presentation of debt issuance costs. This update requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with the required presentation for debt discounts. This update is effective for interim and annual periods beginning after December 15, 2015. The adoption of this standard will change the Company’s current practice of presenting debt issuance costs as an asset and will result in the reduction of total assets and total liabilities in an amount equal to the balance of unamortized debt issuance costs at each balance sheet date.

In August 2014, the FASB issued ASU 2014-15—Presentation of Financial Statements — Going Concern (Subtopic 205-40), related to the disclosures around going concern. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted.

In May 2014, the FASB issued ASU 2014-09—Revenue from Contracts with Customers (Topic 606), amended the existing accounting standards to achieve consistent application of revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the standard requires reporting companies to also disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB agreed to delay the effective date of this amendment by one year, accordingly, the Company is required to adopt the amendments in the first quarter of 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Early adoption is permitted, but not before the original effective date of the amendment.

The Company is currently evaluating the impact of these amendments.

3. Fair Value Measurements

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

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The Company's fair value hierarchy for its financial assets and liabilities that are measured at fair value on a recurring basis are as follows (in thousands):

| | June 30, 2015 | | | |
|---|-------------------|-------------|-----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds ⁽¹⁾ | \$ 14,935 | \$ — | \$ — | \$ 14,935 |
| Total | \$ 14,935 | \$ — | \$ — | \$ 14,935 |
| Liabilities: | | | | |
| Contingent consideration ⁽²⁾ | \$ — | \$ — | \$ 2,770 | \$ 2,770 |
| Total | \$ — | \$ — | \$ 2,770 | \$ 2,770 |
| | December 31, 2014 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds ⁽¹⁾ | \$ 14,928 | \$ — | \$ — | \$ 14,928 |
| Total | \$ 14,928 | \$ — | | |