

QUINSTREET, INC
Form 10-Q
May 10, 2016

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 March 31, 2016

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 No. 001-34628

QuinStreet, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 77-0512121
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

950 Tower Lane, 6th Floor
Foster City, California 94404
(Address of principal executive offices) (Zip Code)

650-578-7700

Registrant's telephone number, including area code

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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 (§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

R

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 R

Number of shares of common stock outstanding as of April 30, 2016: 45,417,582

QUINSTREET, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

QUINSTREET, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	March 31, 2016	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$54,802	\$60,468
Accounts receivable, net	49,500	46,240
Deferred tax assets	173	166
Prepaid expenses and other assets	6,979	11,503
Total current assets	111,454	118,377
Property and equipment, net	8,282	8,565
Goodwill	56,118	56,118
Other intangible assets, net	12,172	19,030
Other assets, noncurrent	11,557	3,063
Total assets	\$199,583	\$205,153
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$22,489	\$20,425
Accrued liabilities	29,957	27,146
Deferred revenue	903	1,208
Debt	50	49
Total current liabilities	53,399	48,828
Debt, noncurrent	15,000	15,000
Other liabilities, noncurrent	5,409	5,740
Total liabilities	73,808	69,568
Commitments and contingencies (See Note 9)		
Stockholders' equity:		
Common stock: \$0.001 par value; 100,000,000 shares authorized; 45,416,200 and 44,617,850 shares issued and outstanding at March 31, 2016 and June 30, 2015, respectively	45	45
Additional paid-in capital	254,574	249,358
Accumulated other comprehensive loss	(426)	(413)

Accumulated deficit	(128,418)	(113,405)
Total stockholders' equity	125,775	135,585
Total liabilities and stockholders' equity	\$ 199,583	\$ 205,153

See notes to condensed consolidated financial statements

QUINSTREET, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months		Nine Months Ended	
	Ended		March 31,	
	March 31,	2015	2016	2015
Net revenue	\$81,243	\$75,345	\$218,593	\$211,228
Cost of revenue ⁽¹⁾	72,771	65,192	198,735	188,996
Gross profit	8,472	10,153	19,858	22,232
Operating expenses: ⁽¹⁾				
Product development	4,136	4,653	12,283	13,853
Sales and marketing	2,861	3,881	9,353	10,905
General and administrative	4,264	4,300	12,484	12,994
Operating loss	(2,789)	(2,681)	(14,262)	(15,520)
Interest income	23	7	39	61
Interest expense	(155)	(760)	(433)	(2,726)
Other income, net	112	40	120	3,001
Loss before income taxes	(2,809)	(3,394)	(14,536)	(15,184)
(Provision for) benefit from taxes	(72)	178	(477)	204
Net loss	\$(2,881)	\$(3,216)	\$(15,013)	\$(14,980)
Net loss per share:				
Basic	\$(0.06)	\$(0.07)	\$(0.33)	\$(0.34)
Diluted	\$(0.06)	\$(0.07)	\$(0.33)	\$(0.34)
Weighted average shares used in computing net loss per share:				
Basic	45,333	44,522	45,098	44,409
Diluted	45,333	44,522	45,098	44,409

(1)
Cost of revenue and operating expenses include stock-based compensation expense as follows:

Cost of revenue	\$787	\$863	\$2,344	\$2,292
Product development	497	542	1,542	1,731
Sales and marketing	464	600	1,333	1,626
General and administrative	684	576	2,046	1,733

See notes to condensed consolidated financial statements

QUINSTREET, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Net loss	\$(2,881)	\$(3,216)	\$(15,013)	\$(14,980)
Other comprehensive (loss) income:				
Unrealized gain on investments:				
Change in unrealized gain on investments	—	—	—	13
Less: reclassification adjustment related to realized loss on investments, net of tax of \$0	—	16	—	16
Net change	—	16	—	29
Foreign currency translation adjustment	(6)	10	(13)	(15)