

EGAIN Corp  
Form 10-Q  
February 13, 2018  
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 December 31, 2017

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. 001-35314

---

eGAIN CORPORATION

(Exact name of registrant as specified in its charter)

---

Edgar Filing: EGAIN Corp - Form 10-Q

Delaware (State or other jurisdiction of incorporation or organization)	77-0466366 (I.R.S. Employer Identification No.)
1252 Borregas Avenue, Sunnyvale, CA (Address of principal executive offices)	94089 (Zip Code)

(408) 636-4500

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

---

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Edgar Filing: EGAIN Corp - Form 10-Q

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

Class	Outstanding at February 12, 2018
Common Stock \$0.001 par value	27,284,144

---

Table of Contents

eGAIN CORPORATION

Quarterly Report on Form 10-Q

For the Quarterly Period Ended December 31, 2017

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	2
<u>Item 1. Financial Statements (Unaudited)</u>	2
<u>Condensed Consolidated Balance Sheets as of December 31, 2017 and June 30, 2017</u>	2
<u>Condensed Consolidated Statements of Operations for the Three and Six Months ended December 31, 2017 and 2016</u>	3
<u>Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months ended December 31, 2017 and 2016</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended December 31, 2017 and 2016</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	35
<u>PART II. OTHER INFORMATION</u>	37
<u>Item 1. Legal Proceedings</u>	37
<u>Item 1A. Risk Factors</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	52
<u>Item 6. Exhibits</u>	53
<u>Signatures</u>	54

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## eGAIN CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands, except par value data)

	December 31, 2017	June 30, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,769	\$ 10,627
Restricted cash	6	6
Accounts receivable, less allowance for doubtful accounts of \$344 and \$357 as of December 31, 2017 and June 30, 2017, respectively	6,464	7,201
Deferred commissions	732	690
Prepaid expenses	1,064	1,737
Other current assets	558	370
Total current assets	19,593	20,631
Property and equipment, net	818	1,059
Deferred commissions, net of current portion	668	694
Intangible assets, net	1,741	2,748
Goodwill	13,186	13,186
Other assets	1,386	1,433
Total assets	\$ 37,392	\$ 39,751
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 2,043	\$ 2,363
Accrued compensation	4,429	4,339
Accrued liabilities	3,086	2,364
Deferred revenue	22,842	18,332
Capital lease obligations	82	108
Bank borrowings, net of deferred financing costs	867	805
Total current liabilities	33,349	28,311
Deferred revenue, net of current portion	6,271	4,887
Capital lease obligations, net of current portion	7	42
Bank borrowings, net of current portion and deferred financing costs	6,324	14,802
Other long-term liabilities	1,284	1,330

Edgar Filing: EGAIN Corp - Form 10-Q

Total liabilities	47,235	49,372
Commitments and contingencies (Note 5)		
Stockholders' deficit:		
Common stock, \$0.001 par value - authorized: 50,000 shares; outstanding: 27,258 shares as of December 31, 2017 and 27,127 shares as of June 30, 2017	27	27
Additional paid-in capital	344,561	343,367
Notes receivable from stockholders	(84)	(83)
Accumulated other comprehensive loss	(1,722)	(1,663)
Accumulated deficit	(352,625)	(351,269)
Total stockholders' deficit	(9,843)	(9,621)
Total liabilities and stockholders' deficit	\$ 37,392	\$ 39,751

See accompanying notes to condensed consolidated financial statements

Table of Contents

## eGAIN CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Revenue:				
Recurring	\$ 12,565	\$ 10,982	\$ 24,207	\$ 21,845
Legacy license	64	1,418	252	3,068
Professional services	2,769	2,599	5,514	4,831
Total revenue	15,398	14,999	29,973	29,744
Cost of revenue:				
Cost of recurring	3,166	2,800	6,186	5,727
Cost of legacy license	22	4	40	11
Cost of professional services	2,401	2,259	4,789	4,389
Total cost of revenue	5,589	5,063	11,015	10,127
Gross profit	9,809	9,936	18,958	19,617
Operating expenses:				
Research and development	3,708	3,231	7,139	6,906
Sales and marketing	4,729	5,541	8,895	10,781
General and administrative	1,768	1,462	3,574	3,493
Total operating expenses	10,205	10,234	19,608	21,180
Loss from operations	(396)	(298)	(650)	(1,563)
Interest expense, net	(239)	(459)	(583)	(881)
Other income (expense), net	(30)	(73)	(161)	35
Loss before income tax benefit (provision)	(665)	(830)	(1,394)	(2,409)
Income tax benefit (provision)	(123)	(219)	38	(1,051)
Net loss	\$ (788)	\$ (1,049)	\$ (1,356)	\$ (3,460)
Per share information:				
Basic and diluted net loss per common share	\$ (0.03)	\$ (0.04)	\$ (0.05)	\$ (0.13)
Weighted average shares used in computing basic and diluted net loss per common share	27,241	27,106	27,213	27,107

See accompanying notes to condensed consolidated financial statements

Table of Contents

eGAIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

(in thousands)

	Three months ended December 31,		Six months ended December 31,	
	2017	2016	2017	2016
Net loss	\$ (788)	\$ (1,049)	\$ (1,356)	\$ (3,460)
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustments	(7)	1	(59)	119
Comprehensive loss	\$ (795)	\$ (1,048)	\$ (1,415)	\$ (3,341)

See accompanying notes to condensed consolidated financial statements



Table of Contents

## eGAIN CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Six Months Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (1,356)	\$ (3,460)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	347	674
Amortization of intangible assets	1,007	1,083
Amortization of deferred commissions	459	455
Amortization of deferred financing costs	108	87
Deferred income taxes	(2)	(7)
Stock-based compensation	1,055	459
Provision (recovery) for doubtful accounts	(20)	38
Loss on disposal of fixed assets	2	—
Changes in operating assets and liabilities:		
Accounts receivable	902	2,817
Deferred commissions	(455)	(453)
Prepaid expenses	683	745
Other current assets	(173)	(35)
Other non-current assets	60	25
Accounts payable	(331)	(426)
Accrued compensation	25	(1,950)
Accrued liabilities	627	(3,204)
Deferred revenue	5,601	1,704
Other long-term liabilities	(63)	122
Net cash provided by (used in) operating activities	8,476	(1,326)
Cash flows from investing activities:		
Purchases of property and equipment	(91)	(223)
Net cash used in investing activities	(91)	(223)
Cash flows from financing activities:		
Payments on bank borrowings	(11,219)	(5,500)
Proceeds from bank borrowings	2,726	5,227
Payments on capital lease obligations	(63)	(175)
Payments on common stock repurchased	—	(5)
Proceeds from exercise of stock options	138	2
Net cash used in financing activities	(8,418)	(451)
Effect of change in exchange rates on cash and cash equivalents	175	(53)

Edgar Filing: EGAIN Corp - Form 10-Q

Net increase (decrease) in cash and cash equivalents	142	(2,053)
Cash and cash equivalents at beginning of period	10,627	11,780
Cash and cash equivalents at end of period	\$ 10,769	\$ 9,727
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 498	\$ 808
Cash paid for taxes	\$ 94	\$ 136
Non-cash items:		
Purchases of equipment through trade accounts payable	\$ —	\$ 90
Property and equipment acquired under a capital lease	\$ —	\$ 117