

interclick, inc.
Form 10-Q
November 10, 2011

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 September 30, 2011

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 001-34523

interclick, inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

01-0692341
(I.R.S. Employer
Identification No.)

11 West 19th Street, 10th Floor, New York, NY
(Address of principal executive offices)

10011
(Zip Code)

Registrant's telephone number: (646) 722-6260

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 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.

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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 ☒

Class
Common Stock, \$0.001 par value per share

Outstanding at November 8, 2011
25,208,416, shares

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PART I – FINANCIAL INFORMATION

INTERCLICK, INC. AND SUBSIDIARY

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INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (unaudited)	December 31, 2010 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,511,690	\$ 12,450,650
Short-term investment	500,208	498,132
Restricted cash	500,820	500,388
Accounts receivable, net of allowance for doubtful accounts of \$637,538 and \$563,512, respectively	38,788,478	44,517,434
Deferred taxes, current portion	476,109	457,185
Prepaid expenses and other current assets	2,739,963	763,680
Total current assets	55,517,268	59,187,469
Restricted cash	298,153	296,610
Property and equipment, net	3,494,966	2,283,721
Intangible assets, net	1,412,758	263,333
Goodwill	7,909,571	7,909,571
Deferred line of credit costs, net of accumulated amortization of \$66,105 and \$19,109, respectively	59,736	106,732
Deferred taxes, net of current portion	3,031,681	2,715,655
Other assets	518,577	208,182
Total assets	\$ 72,242,710	\$ 72,971,273
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 16,529,082	\$ 20,147,129
Accrued expenses (includes accrued compensation of \$3,457,373 and \$3,274,004, respectively)	5,064,455	4,772,188
Line of credit payable	4,000,000	8,500,000
Obligations under capital leases, current portion	981,328	483,583
Deferred rent, current portion (includes cease-use liability of \$87,410 and \$78,193, respectively)	134,278	89,325
Total current liabilities	26,709,143	33,992,225
Obligations under capital leases, net of current portion	1,446,305	932,451
Deferred rent (includes cease-use liability of \$242,691 and \$306,578, respectively)	539,897	630,124
Other liabilities	300,102	-
Total liabilities	28,995,447	35,554,800
Commitments and contingencies		
Stockholders' equity:	-	-

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Preferred stock, \$0.001 par value; 10,000,000 shares authorized, zero shares issued and outstanding		
Common stock, \$0.001 par value; 140,000,000 shares authorized, 24,872,999 and 24,065,611 issued and outstanding, respectively		
	24,872	24,065
Additional paid-in capital	50,918,463	46,626,284
Accumulated deficit	(7,696,072)	(9,233,876)
Total stockholders' equity	43,247,263	37,416,473
Total liabilities and stockholders' equity	\$72,242,710	\$72,971,273

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME

	For the Three Months Ended September 30, 2011 (unaudited)	For the Three Months Ended September 30, 2010 (unaudited)	For the Nine Months Ended September 30, 2011 (unaudited)	For the Nine Months Ended September 30, 2010 (unaudited)
Revenues	\$ 36,177,567	\$ 26,442,854	\$ 88,994,837	\$ 62,304,594
Cost of revenues	21,194,956	14,292,265	50,974,054	34,145,933
Gross profit	14,982,611	12,150,589	38,020,783	28,158,661
Operating expenses:				
General and administrative	6,356,141	4,143,866	16,859,355	11,248,139
Sales and marketing	4,879,406	3,563,827	12,843,177	8,767,724
Technology support	1,720,021	1,517,621	4,691,469	4,276,561
Amortization of intangible assets	104,341	39,500	237,142	118,500
Total operating expenses	13,059,909	9,264,814	34,631,143	24,410,924
Operating income	1,922,702	2,885,775	3,389,640	3,747,737
Other income (expense):				
Interest income	1,927	7,682	6,187	24,701
Warrant derivative liability income	-	-	-	21,413
Other than temporary impairment of available-for-sale securities	-	(126,080)	-	(584,618)
Interest expense	(71,019)	(19,429)	(387,353)	(196,375)
Total other expense, net	(69,092)	(137,827)	(381,166)	(734,879)
Income before income taxes	1,853,610	2,747,948	3,008,474	3,012,858
Income tax expense	(1,061,451)	(1,502,417)	(1,470,670)	(1,641,543)
Net income	792,159	1,245,531	1,537,804	1,371,315
Other comprehensive income:				
Unrealized gain on available-for-sale securities	-	20,427	-	-
Total comprehensive income	\$ 792,159	\$ 1,265,958	\$ 1,537,804	\$ 1,371,315

Earnings per share:

Basic	\$	0.03	\$	0.05	\$	0.06	\$	0.06
Diluted	\$	0.03	\$	0.05	\$	0.06	\$	0.06

Weighted average number
of common shares:

Basic	24,280,077	23,750,068	24,156,483	23,681,188
Diluted	26,584,201	24,620,768	26,354,761	24,748,108

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-In Capital	Deficit	Stockholders' Equity
Balances, January 1, 2011	24,065,611	\$24,065	\$46,626,284	\$ (9,233,876)	\$ 37,416,473
Stock-based compensation			3,599,545		3,599,545
Issuances of restricted shares	542,500	543	(543)		-
Forefeiture of restricted shares	(1,900)	(2)	2		-
Issuance of common shares for stock options and warrants exercised	245,293	245	632,657		632,902
Cashless exercise of warrants	21,495	21	(21)		-
Adjustment to additional paid-in capital related to tax benefit of stock-based compensation			60,539		60,539
Net income				1,537,804	1,537,804
Balances, September 30, 2011 (unaudited)	24,872,999	\$24,872	\$50,918,463	\$ (7,696,072)	\$ 43,247,263

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30, 2011 (unaudited)	For the Nine Months Ended September 30, 2010 (unaudited)
Cash flows from operating activities:		
Net income	\$ 1,537,804	\$ 1,371,315
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Stock-based compensation	3,599,545	2,800,566
Other than temporary impairment of available-for-sale securities	-	584,618
Accrued interest income	(4,051)	-
Depreciation and amortization of property and equipment	722,079	502,726
Amortization of intangible assets	237,142	118,500
Provision for bad debts	222,434	103,241
Amortization of deferred line of credit costs	46,996	8,243
Deferred tax benefit	(274,411)	(412,327)
Change in warrant derivative liability	-	(21,413)
Excess tax benefits from stock-based compensation	(60,539)	-
Changes in cash and cash equivalents attributable to changes in operating assets and liabilities:		
Accounts receivable	5,506,522	(8,607,026)
Prepaid expenses and other current assets	(1,616,571)	(9,903)
Other assets	49,011	(15,394)
Accounts payable	(3,618,047)	1,898,976
Accrued expenses	(77,936)	25,564
Deferred rent	(45,274)	548,141
Other liabilities	(48,813)	-
Income taxes payable	-	275,069
Net cash provided by (used in) operating activities	6,175,891	(829,104)
Cash flows from investing activities:		
Proceeds from sale of available-for-sale securities	-	11,250
Transfers to restricted cash	-	(1,294,187)
Purchases of property and equipment	(381,063)	(659,425)
Costs incurred for development of internal-use software	(1,386,567)	-
Net cash used in investing activities	(1,767,630)	(1,942,362)
Cash flows from financing activities:		
Proceeds from current line of credit	-	5,200,000
Repayments of current line of credit, net	(4,500,000)	-
Repayments of former line of credit, net	-	(4,208,667)
Proceeds from stock options and warrants exercised	632,902	336,707
Payments of deferred line of credit costs	-	(88,341)

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Principal payments on capital leases	(540,662)	(130,178)
Excess tax benefits from stock-based compensation	60,539	-
Net cash provided by (used in) financing activities	(4,347,221)	1,109,521
Net increase (decrease) in cash and cash equivalents	61,040	(1,661,945)
Cash and cash equivalents at beginning of period	12,450,650	12,653,958
Cash and cash equivalents at end of period	\$ 12,511,690	\$ 10,992,013

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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INTERCLICK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30, 2011 (unaudited)	For the Nine Months Ended September 30, 2010 (unaudited)
Supplemental disclosure of cash flow information:		
Interest paid	\$350,467	\$232,447
Income taxes paid	\$3,036,446	\$1,693,535
Non-cash investing and financing activities:		
Property and equipment acquired through capital leases	\$1,552,260	\$495,600
Leasehold improvements increased for deferred rent	\$-	\$83,070
Reclassification of warrant derivative liability to equity upon expiration of price protection	\$-	\$47,846
Deferred line of credit costs included in accrued expenses	\$-	\$37,500

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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INTERCLICK, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(Unaudited)

Note 1. Nature of Operations

Overview

Powered by OSM, interclick, inc. (the “Company” or “interclick”) offers proprietary data-valuation capabilities combining analytical expertise and media fulfillment to help marketers navigate the complex data ecosystem to drive successful online display and video campaigns. OSM is a powerful solution which aggregates and organizes billions of data points from 3rd party providers – delivering actionable consumer insights, scalable audiences and the most effective campaign execution. The Company generates revenue by serving as a principal in transacting online display and online video advertising between agency clients and third party website publishers. Substantially all of the Company’s revenues are generated in the United States.

The Company is particularly sensitive to industry seasonality given that the majority of its revenues are tied to CPM (cost-per-thousand) campaigns, which are strongest in the fourth quarter and weakest in the first quarter. While not necessarily indicative of future seasonality, the Company’s revenue mix in 2010 was as follows: 14.0% in the first quarter, 21.4% in the second quarter, 26.1% in the third quarter, and 38.5% in the fourth quarter.

Basis of Presentation

The interim condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of the Company’s management, all adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) necessary to present fairly our results of operations and comprehensive income for the three and nine months ended September 30, 2011 and 2010, our statement of changes in stockholders’ equity for the nine months ended September 30, 2011, cash flows for the nine months ended September 30, 2011 and 2010, and our financial position as of September 30, 2011, have been made. The results of operations for such interim periods are not necessarily indicative of the operating results to be expected for the full year.

Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or omitted from these interim consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010, as filed with the SEC on March 22, 2011. The December 31, 2010 consolidated balance sheet is derived from those statements.

Note 2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those

estimates. On an ongoing basis, we evaluate our estimates, including those related to the accounts receivable and allowance for doubtful accounts, intangible assets and goodwill, useful lives of intangible assets and property and equipment, fair values of stock-based awards, income taxes, and contingent liabilities, among others.

Principles of Consolidation

The interim condensed consolidated financial statements include the accounts of interclick, inc. and its wholly-owned subsidiary. All significant inter-company balances and transactions have been eliminated in consolidation.

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INTERCLICK, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(Unaudited)

Accounts Receivable and Allowance for Doubtful Accounts Receivable

Trade accounts receivables are non-interest bearing and are stated at gross invoice amounts less an allowance for doubtful accounts receivable.

Credit is extended to customers based on an evaluation of their financial condition and other factors. The Company generally does not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts.

The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations, such as bankruptcy proceedings and receivable amounts outstanding for an extended period beyond contractual terms. In these cases, the Company uses assum