

EGAIN Corp
Form 10-Q
February 11, 2019
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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, 2018

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)

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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 every Interactive Data File required to be submitted 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 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	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

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

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Class	Outstanding at February 08, 2019
Common Stock \$0.001 par value	27,902,325

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eGAIN CORPORATION

Quarterly Report on Form 10-Q

For the Quarterly Period Ended December 31, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

eGAIN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands, except par value data)

	December 31, 2018	June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,222	\$ 11,498
Restricted cash	6	6
Accounts receivable, less allowance for doubtful accounts of \$252 and \$256 as of December 31, 2018 and June 30, 2018, respectively	16,178	7,389
Costs capitalized to obtain revenue contracts, net	682	986
Prepaid expenses	1,688	2,374
Other current assets	409	285
Total current assets	30,185	22,538
Property and equipment, net	468	559
Costs capitalized to obtain revenue contracts, net of current portion	1,904	891
Intangible assets, net	429	733
Goodwill	13,186	13,186
Other assets	2,039	1,715
Total assets	\$ 48,211	\$ 39,622
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,384	\$ 3,905
Accrued compensation	4,463	5,706
Accrued liabilities	1,746	2,285
Deferred revenue	28,836	18,364
Capital lease obligations	7	42
Bank borrowings, net of deferred financing costs	4,996	259
Total current liabilities	42,432	30,561
Deferred revenue, net of current portion	6,136	7,833
Bank borrowings, net of current portion and deferred financing costs	—	8,941
Other long-term liabilities	980	1,000
Total liabilities	49,548	48,335
Commitments and contingencies (Note 6)		
Stockholders' deficit:		

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Common stock, \$0.001 par value - authorized: 50,000 shares; outstanding: 27,883 shares as of December 31, 2018 and 27,667 shares as of June 30, 2018	28	28
Additional paid-in capital	347,182	346,222
Notes receivable from stockholders	(87)	(85)
Accumulated other comprehensive loss	(1,620)	(1,618)
Accumulated deficit	(346,840)	(353,260)
Total stockholders' deficit	(1,337)	(8,713)
Total liabilities and stockholders' deficit	\$ 48,211	\$ 39,622

See accompanying notes to condensed consolidated financial statements

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eGAIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Revenue:				
Subscription	\$ 15,823	\$ 12,629	\$ 29,550	\$ 24,459
Professional services	1,881	2,769	3,855	5,514
Total revenue	17,704	15,398	33,405	29,973
Cost of revenue:				
Cost of subscription	3,692	3,188	7,087	6,226
Cost of professional services	1,850	2,401	3,690	4,789
Total cost of revenue	5,542	5,589	10,777	11,015
Gross profit	12,162	9,809	22,628	18,958
Operating expenses:				
Research and development	3,596	3,708	7,155	7,139
Sales and marketing	4,391	4,729	8,385	8,895
General and administrative	2,046	1,768	4,206	3,574
Total operating expenses	10,033	10,205	19,746	19,608
Income (loss) from operations	2,129	(396)	2,882	(650)
Interest expense, net	(139)	(239)	(329)	(583)
Other income (expense), net	(6)	(30)	11	(161)
Income (loss) before income tax benefit (expense)	1,984	(665)	2,564	(1,394)
Income tax benefit (expense)	16	(123)	40	38
Net income (loss)	\$ 2,000	\$ (788)	\$ 2,604	\$ (1,356)
Per share information:				
Earnings (loss) per share:				
Basic	\$ 0.07	\$ (0.03)	\$ 0.09	\$ (0.05)
Diluted	\$ 0.07	\$ (0.03)	\$ 0.09	\$ (0.05)
Weighted-average shares used in computation:				
Basic	27,875	27,241	27,781	27,213
Diluted	29,420	27,241	29,687	27,213

See accompanying notes to condensed consolidated financial statements

eGAIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

(in thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 2,000	\$ (788)	\$ 2,604	\$ (1,356)
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	44	(7)	(2)	(59)
Comprehensive income (loss)	\$ 2,044	\$ (795)	\$ 2,602	\$ (1,415)

See accompanying notes to condensed consolidated financial statements

eGAIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Six Months Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$ 2,604	\$ (1,356)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		