

COUPONS.com Inc
Form 10-Q
August 07, 2014

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, 2014

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

Edgar Filing: COUPONS.com Inc - Form 10-Q

(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 5, 2014, the registrant had 77,618,235 shares of common stock outstanding.

COUPONS.COM INCORPORATED

INDEX

REPORT ON FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2014

PART I FINANCIAL INFORMATION

<u>Item 1 Financial Statements (unaudited):</u>	3
<u>Condensed Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013</u>	3
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013</u>	4
<u>Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months Ended June 30, 2014 and 2013</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4 Controls and Procedures</u>	25
PART II OTHER INFORMATION	
<u>Item 1—Legal Proceedings</u>	26
<u>Item 1A—Risk Factors</u>	26
<u>Item 2—Unregistered Sales of Equity Securities and Use of Proceeds</u>	44

<u>Item 3—Defaults Upon Senior Securities</u>	44
<u>Item 4—Mine Safety Disclosures</u>	44
<u>Item 5—Other Information</u>	44
<u>Item 6—Exhibits</u>	45
<u>SIGNATURES</u>	46

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, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$222,031	\$38,972
Accounts receivable, net of allowance for doubtful accounts of \$400 and \$332 at June 30, 2014 and December 31, 2013, respectively	44,060	42,185
Prefunded coupons cash deposits	1,497	920
Prepaid expenses and other current assets	4,252	3,100
Total current assets	271,840	85,177
Property and equipment, net	27,820	29,942
Intangible assets, net	3,597	1,813
Goodwill	17,880	9,887
Deferred tax assets	900	195
Other assets	3,728	7,222
Total assets	\$325,765	\$134,236
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$7,703	\$5,589
Accrued compensation and benefits	10,490	13,721
Other current liabilities	14,790	13,699
Prefunded coupons cash obligations	1,497	920
Deferred revenues	7,740	6,751
Debt obligations	7,500	7,500
Debt obligations, related party	15,999	15,577
Total current liabilities	65,719	63,757
Other non-current liabilities	569	1,046
Deferred rent	940	1,222
Deferred tax liabilities	900	195
Total liabilities	68,128	66,220
Commitments and contingencies (Note 14)		

Edgar Filing: COUPONS.com Inc - Form 10-Q

Redeemable convertible preferred stock, \$0.00001 par value—no shares authorized, issued and outstanding, and aggregate liquidation preference of \$0 at June 30, 2014; 50,437,000 shares authorized and 41,529,721 shares issued and outstanding, and aggregate liquidation preference of		
\$282,990 at December 31, 2013	—	270,262
Stockholders' equity (deficit):		
Preferred stock, \$0.00001 par value—10,000,000 shares authorized and no shares issued or outstanding at June 30, 2014; no shares authorized, issued or outstanding at December 31, 2013	—	—
Common stock, \$0.00001 par value—250,000,000 shares authorized and 82,419,992 shares issued and 77,575,086 outstanding at June 30, 2014; 96,000,000 shares authorized and 25,934,206 shares issued and 21,089,300 outstanding at December 31, 2013	1	—
Additional paid-in capital	509,179	28,403
Treasury stock, at cost	(61,935)	(61,935)
Accumulated other comprehensive income (loss)	82	37
Accumulated deficit	(189,690)	(168,751)
Total stockholders' equity (deficit)	257,637	(202,246)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$ 325,765	\$ 134,236
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, 2014	2013	June 30, 2014	2013
Revenues	\$51,715	\$39,089	\$103,216	\$75,579
Costs and expenses:				
Cost of revenues	20,884	12,933	41,403	25,734
Sales and marketing	17,621	14,167	37,132	29,070
Research and development	10,981	9,651	27,248	20,604
General and administrative	8,857	5,002	17,907	10,898
Total costs and expenses	58,343	41,753	123,690	86,306
Loss from operations	(6,628)	(2,664)	(20,474)	(10,727)
Interest expense	(300)	(229)	(602)	(435)
Other income (expense), net	31	5	(107)	34
Loss before benefit from income taxes	(6,897)	(2,888)	(21,183)	(11,128)
Benefit from income taxes	—	—	(244)	—
Net loss	\$(6,897)	\$(2,888)	\$(20,939)	\$(11,128)

Net loss per share attributable to common stockholders,

basic and diluted	\$(0.09)	\$(0.15)	\$(0.37)	\$(0.60)
Weighted-average number of common shares used in computing net loss per share attributable to common stockholders, basic and diluted	77,549	18,903	56,161	18,623

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, 2014	2013	June 30, 2014	2013
Net loss	\$(6,897)	\$(2,888)	\$(20,939)	\$(11,128)
Other comprehensive income (loss):				
Foreign currency translation adjustments	33	12	45	(117)
Comprehensive loss	\$(6,864)	\$(2,876)	\$(20,894)	\$(11,245)
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,

2014 2013

Cash flows from operating activities:		
Net loss	\$(20,939)	\$(11,128)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,822	3,388
Stock-based compensation	21,253	2,554
Accretion of debt discount	113	113
Loss on disposal of property and equipment	4	37
Provision for doubtful accounts	79	100
Benefit from deferred income taxes	(244)	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,755)	(4,166)
Prepaid expenses and other current assets	262	(594)
Accounts payable and other current liabilities	2,494	(1,027)
Accrued compensation and benefits	(3,298)	(2,428)
Deferred revenues	957	732
Other	309	298
Net cash provided by (used in) operating activities	6,057	(12,121)
Cash flows from investing activities:		
Purchases of property and equipment	(4,970)	(10,973)
Business acquisition, net of acquired cash	859	—
Purchases of intangible assets	(16)	—
Net cash used in investing activities	(4,127)	(10,973)
Cash flows from financing activities:		
Proceeds from issuance of common stock	3,031	973
Proceeds from initial public offering, net of offering costs	176,525	—
Exercise of warrant	1,610	498
Principal payments on capital lease obligations	(28)	(21)
Net cash provided by financing activities	181,138	1,450
Effect of exchange rates on cash and cash equivalents	(9)	3
Net increase (decrease) in cash and cash equivalents	183,059	(21,641)
Cash and cash equivalents at beginning of period	38,972	58,395
Cash and cash equivalents at end of period	\$222,031	\$36,754

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”) operates a leading digital promotion platform that connects great brands and retailers with consumers. Many brands from leading consumer packaged goods companies (“CPGs”) and grocery, drug and mass merchandise retailers use the Company’s promotion 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 coupons and coupon codes, through its platform which includes web, mobile and social channels, as well as those of the Company’s CPGs, retailers and its extensive network of publishers. Consumers select coupons by either printing them for physical redemption at retailers or saving them to retailer online accounts for automatic digital redemption. The Company also delivers integrated advertising through its platform.

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 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 our prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on March 7, 2014 (“Prospectus”).

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, 2014.

There have been no changes to our significant accounting policies described in the Prospectus that have had a material impact on our condensed consolidated financial statements and related notes.

Initial Public Offering

In March 2014, the Company completed its initial public offering (“IPO”) in which it issued and sold 12,075,000 shares of common stock at a public offering price of \$16.00 per share. The Company received net proceeds of \$179.7 million after deducting underwriting discounts and commissions of \$13.5 million, but before deducting offering expenses of \$5.4 million. In addition, in connection with the IPO:

All of the Company's outstanding redeemable convertible preferred stock converted into 41,580,507 shares of common stock.

The Company recognized stock-based compensation expense of \$17.9 million during the six months ended June 30, 2014 associated with restricted stock units ("RSUs"). Please see Note 9 (Stock-based Compensation) for further discussion.

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.

Recently Issued Accounting Pronouncements

In May 2014, the FASB amended the existing accounting standards for 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. The Company is required to adopt the amendments in the first quarter of 2017. Early adoption is not permitted. 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. The Company is currently evaluating the impact of these amendments.

3. Fair Value Measurements

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

	June 30, 2014			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
Money market funds	\$ 14,923	\$ —	\$ —	\$ 14,923
Total	\$ 14,923	\$ —	\$ —	\$ 14,923
Included in cash and cash equivalents				\$ 14,923