

Bridgeline Digital, Inc.
Form 10-Q
May 15, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 333-139298

Bridgeline Digital, Inc.

(Exact name of registrant as specified in its charter)

Delaware

State or other jurisdiction of incorporation or organization

52-2263942

IRS Employer Identification No.

80 Blanchard Road

Burlington, Massachusetts

01803

(Address of Principal Executive Offices) (Zip Code)

(781) 376-5555

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

The number of shares of Common Stock par value \$0.001 per share, outstanding as of May 11, 2015 was 4,441,381.

Bridgeline Digital, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended March 31, 2015

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Bridgeline Digital, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended March 31, 2015

Statements contained in this Report on Form 10-Q that are not based on historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as “should,” “could,” “may,” “will,” “expect,” “believe,” “estimate,” “anticipate,” “intends,” “continue,” or similar terms or variations of those terms or the negative of those terms. These statements appear in a number of places in this Form 10-Q and include statements regarding the intent, belief or current expectations of Bridgeline Digital, Inc. Forward-looking statements are merely our current predictions of future events. Investors are cautioned that any such forward-looking statements are inherently uncertain, are not guaranties of future performance and involve risks and uncertainties. Actual results may differ materially from our predictions. Important factors that could cause actual results to differ from our predictions include the impact of the weakness in the U.S. and international economies on our business, our inability to manage our future growth effectively or profitably, fluctuations in our revenue and quarterly results, our license renewal rate, the impact of competition and our ability to maintain margins or market share, the limited market for our common stock, the volatility of the market price of our common stock, the ability to maintain our listing on the NASDAQ Capital market, the ability to raise capital, the performance of our products, our ability to respond to rapidly evolving technology and customer requirements, our ability to protect our proprietary technology, the security of our software, our dependence on our management team and key personnel, our ability to hire and retain future key personnel, or our ability to maintain an effective system of internal controls. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized, nor is there any assurance that we have identified all possible issues which we might face. We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014 as well as in the other documents that we file with the Securities and Exchange Commission. You can read these documents at www.sec.gov.

Where we say “we,” “us,” “our,” “Company” or “Bridgeline Digital” we mean Bridgeline Digital, Inc.

PART I—FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements.****BRIDGELINE DIGITAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except share and per share data)

(Unaudited)

| | March 31, 2015 | September 30, 2014 |
|---------------------------------------------------|-------------------------------|-----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,126 | \$ 1,256 |
| Accounts receivable and unbilled receivables, net | 3,989 | 3,342 |
| Prepaid expenses and other current assets | 765 | 747 |
| Total current assets | 5,880 | 5,345 |
| Equipment and improvements, net | 2,005 | 2,175 |
| Intangible assets, net | 1,276 | 1,582 |
| Goodwill | 23,141 | 23,141 |
| Other assets | 1,050 | 1,317 |
| Total assets | \$33,352 | \$ 33,560 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,507 | \$ 1,126 |
| Accrued liabilities | 936 | 957 |
| Accrued earnouts, current | 464 | 487 |
| Debt, current | 759 | 985 |
| Capital lease obligations, current | 428 | 364 |
| Deferred revenue | 2,914 | 1,990 |
| Total current liabilities | 7,008 | 5,909 |
| Accrued earnouts, net of current portion | 226 | 381 |
| Debt, net of current portion | 7,048 | 5,935 |
| Capital lease obligations, net of current portion | 115 | 247 |
| Other long term liabilities | 1,222 | 1,155 |
| Total liabilities | 15,619 | 13,627 |

Commitments and contingencies

Stockholders' equity:

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|
| Preferred stock - \$0.001 par value; 1,000,000 shares authorized; 40,427 at March 31, 2015 and 0 at September 30, 2014, issued and outstanding (liquidation preference \$2,051) | - | - |
| Common stock - \$0.001 par value; 50,000,000 shares authorized; 4,441,381 at March 31, 2015 and 4,388,583 at September 30, 2014, issued and outstanding | 22 | 22 |
| Additional paid-in capital | 49,829 | 47,773 |
| Accumulated deficit | (31,763) | (27,529) |
| Accumulated other comprehensive loss | (355) | (333) |
| Total stockholders' equity | 17,733 | 19,933 |
| Total liabilities and stockholders' equity | \$33,352 | \$ 33,560 |

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

BRIDGELINE DIGITAL, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except share and per share data)

(Unaudited)

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---------------------------------------------------------|-----------------------------------------|-------------|---------------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net revenue: | | | | |
| Digital engagement services | \$3,057 | \$3,610 | \$6,271 | \$8,159 |
| Subscription and perpetual licenses | 1,359 | 1,307 | 2,755 | 2,884 |
| Managed service hosting | 371 | 385 | 773 | 772 |
| Total net revenue | 4,787 | 5,302 | 9,799 | 11,815 |
| Cost of revenue: | | | | |
| Digital engagement services | 2,513 | 2,669 | 5,076 | 5,172 |
| Subscription and perpetual licenses | 463 | 452 | 893 | 849 |
| Managed service hosting | 74 | 68 | 148 | 152 |
| Total cost of revenue | 3,050 | 3,189 | 6,117 | 6,173 |
| Gross profit | 1,737 | 2,113 | 3,682 | 5,642 |
| Operating expenses: | | | | |
| Sales and marketing | 1,534 | 1,928 | 3,344 | 4,038 |
| General and administrative | 1,136 | 1,167 | 2,129 | 2,198 |
| Research and development | 467 | 579 | 1,069 | 1,102 |
| Depreciation and amortization | 442 | 551 | 894 | 1,005 |
| Total operating expenses | 3,579 | 4,225 | 7,436 | 8,343 |
| Loss from operations | (1,842) | (2,112) | (3,754) | (2,701) |
| Interest and other expense, net | (203) | (167) | (366) | (334) |
| Loss before income taxes | (2,045) | (2,279) | (4,120) | (3,035) |
| Provision for income taxes | 28 | 35 | 63 | 56 |
| Net loss | (2,073) | (2,314) | (4,183) | (3,091) |
| Dividends on convertible preferred stock | (30) | - | (51) | - |
| Net loss applicable to common shareholders | \$(2,103) | \$(2,314) | \$(4,234) | \$(3,091) |
| Net loss per share attributable to common shareholders: | | | | |
| Basic and diluted | \$(0.49) | \$(0.65) | \$(0.98) | \$(0.86) |
| Number of weighted average shares outstanding: | | | | |
| Basic and diluted | 4,271,508 | 3,558,922 | 4,307,265 | 3,578,885 |

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

BRIDGELINE DIGITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Dollars in thousands)

(Unaudited)

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|-------------------------------------------------------|---------------------------------------------|-------------|-------------------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net Loss | \$ (2,073) | \$ (2,314) | \$ (4,183) | \$ (3,091) |
| Net change in foreign currency translation adjustment | (17) | (93) | (22) | (125) |
| Comprehensive loss | \$ (2,090) | \$ (2,407) | \$ (4,205) | \$ (3,216) |

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

BRIDGELINE DIGITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

| | Six Months Ended March 31, 2015 2014 | |
|-----------------------------------------------------------------------------|------------------------------------------------------------|------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (4,183) | \$ (3,091) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization of intangible assets | 306 | 341 |