

MARCHEX INC
Form 8-K/A
October 07, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): July 27, 2004

Marchex, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

000-50658
(Commission File Number)

35-2194038
(I.R.S. Employer
Identification No.)

413 Pine Street

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Suite 500

Seattle, Washington 98101

(Address of Principal Executive Offices)

(206) 331-3300

(Registrant's telephone number, including area code)

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the reporting obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
 - Soliciting material pursuant to Rule 14a-12 of the Exchange Act
 - Pre-commencement communications pursuant to Rule 14d-2(b) Exchange Act
 - Pre-commencement communications pursuant to Rule 13e-4(c) Exchange Act
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Item 2.01. Acquisition or Disposition of Assets.

On July 27, 2004, Marchex, Inc., a Delaware corporation ("Marchex"), completed the acquisition of goClick.com, Inc., a Connecticut corporation ("goClick"). In accordance with the terms of the Agreement and Plan of Merger, dated as of July 21, 2004 (the "Agreement and Plan of Merger"), by and among Marchex, Project TPS, Inc, a Delaware corporation, goClick and the sole stockholder of goClick, Project TPS merged with and into goClick and goClick, as the surviving corporation, became a wholly-owned subsidiary of the Marchex. goClick is a provider of marketing technology and services for small merchants.

In consideration for all of the outstanding shares of goClick stock for purposes of the merger, the sole stockholder of goClick received approximately \$12.5 million in a combination of cash and equity subject to the escrow provisions set forth in the Agreement and Plan of Merger. The cash portion of the consideration was equal to \$8,229,750. The equity portion of the consideration was equal to 433,541 shares of Class B common stock of Marchex, which shares in the aggregate were valued at \$4,250,000 for the purposes of the Merger based on the average of the last quoted sale price for Marchex's Class B common stock on the Nasdaq National Market for the 10 trading days immediately prior to execution of the Agreement and Plan of Merger.

The merger consideration was determined by arms length negotiation between the parties. Marchex funded the cash portion of the merger consideration from cash on hand.

Marchex filed a Current Report on Form 8-K on August 10, 2004 to provide the information required by Item 2 as then in effect. The purpose of this Form 8-K/A is to amend the Current Report on Form 8-K filed on August 10, 2004 to include the financial statements and pro forma financial information required by Item 9.01.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The goClick unaudited financial statements for the six months ended June 30, 2004 and 2003 and audited financial statements for the year ended December 31, 2003 are attached hereto as Exhibit 99.2 and are incorporated herein by reference.

(b) Pro forma financial information.

The pro forma financial information for Marchex on a condensed consolidated basis is set forth below.

The presentation of the pro forma financial information below includes: (1) the unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 and the six months ended June 30, 2004; and (2) the unaudited pro forma condensed consolidated balance sheet as of June 30, 2004.

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Unaudited Pro Forma Condensed Consolidated Statements of Operations.

The Marchex unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 give effect to the acquisitions of the Marchex subsidiaries, eFamily.com, Inc. (including its wholly-owned subsidiary, formerly known as ah-ha.com, Inc. and now known as Enhance Interactive, Inc.), TrafficLeader, Inc. (formerly known as Sitewise Marketing, Inc.) (TrafficLeader) and goClick, as if the acquisitions had occurred on January 1, 2003.

The Marchex unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 combine: (1) the historical results of operations of goClick for the same period; and (2) Marchex's previously reported unaudited pro forma condensed consolidated statements of operations as set forth in Marchex's final prospectus dated March 30, 2004 (the final prospectus) and included in the initial registration statement on Form SB-2 filed on March 30, 2004. The presentation of the pro forma condensed consolidated financial statements in the final prospectus combine: (1) Marchex historical results of operations for the period from January 17, 2003 (inception) through December 31, 2003; (2) the predecessor entity (referred to as the Predecessor in the notes to the financial statements and in the final prospectus) for the period from January 1 through February 28, 2003; and (3) TrafficLeader for the pre-acquisition period from January 1, 2003 to October 23, 2003.

The Marchex unaudited pro forma condensed consolidated statements of operations for the six month period ended June 30, 2004 combine the historical results of operations of goClick and Marchex and give effect to the acquisition of goClick as if it had occurred on January 1, 2003.

Unaudited Pro Forma Condensed Consolidated Balance Sheet.

The Marchex unaudited pro forma condensed consolidated balance sheet combines the historical balance sheets of goClick and Marchex as of June 30, 2004 and gives effect to the acquisition of goClick as if it had occurred on June 30, 2004.

Unaudited Pro Forma Condensed Consolidated Financial Information.

The presentation of the Marchex unaudited pro forma condensed consolidated financial information is intended for illustrative purposes only and is not necessarily indicative of the combined results that would have occurred had the acquisitions each taken place as of January 1, 2003. The presentation of the information is not necessarily indicative of results that may occur in the future. The pro forma adjustments are based upon information and assumptions available at the time of the filing of this Form 8-K/A and result in a preliminary allocation of the purchase price based on estimates of the fair value of the assets acquired and liabilities assumed, including pre-acquisition contingencies.

The Marchex unaudited pro forma condensed consolidated financial statements should be read in conjunction with the Marchex historical consolidated financial statements and the notes thereto, included in Marchex's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004 and in the Marchex historical and pro forma results for the year ended December 31, 2003 reported in Marchex's final prospectus and included in the initial registration statement on Form SB-2 filed on March 30, 2004.

MARCHEX, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the year ended December 31, 2003

	Marchex (Pro Forma)	goClick (Historical)	Pro Forma Adjustments	Pro Forma Combined
Revenue	\$ 27,351,966	\$ 3,409,855	\$ (104,426)(c)	\$ 30,657,395
Expenses:				
Service costs (1)	16,396,933	2,235,913	(104,426)(c)	18,528,420
Sales and marketing (1)	3,200,019	141,559		3,341,578
Product development (1)	1,576,548	37,259		1,613,807
General and administrative (1)	3,321,955	82,350		3,404,305
Acquisition-related retention consideration (2)	283,269			283,269
Stock-based compensation (3)	2,659,280			2,659,280
Amortization of intangible assets (4)	4,133,308		2,053,333(d)	6,186,641
Total operating expenses	31,571,312	2,497,081	1,948,907	36,017,300
Income (loss) from operations	(4,219,346)	912,774	(2,053,333)	(5,359,905)
Other income (expense):				
Interest income	48,066	5,923		53,989
Adjustment to fair value of redemption obligation	25,500			25,500
other	1,892			1,892
Total other income	75,458	5,923		81,381
Income (loss) before provision for income taxes	(4,143,888)	918,697	(2,053,333)	(5,278,524)
Income tax expense (benefit)	(1,263,526)		(442,054)(e)	(1,705,580)
Net income (loss)	(2,880,362)	918,697	(1,611,279)	(3,572,944)
Accretion of redemption value of redeemable convertible preferred stock	1,318,885			1,318,885
Net Income (loss) applicable to common stockholders	\$ (4,199,247)	\$ 918,697	\$ (1,611,279)	\$ (4,891,829)
Pro forma basic and diluted net loss per share applicable to common stockholders	(0.31)			(0.35)
Shares used to calculate pro forma basic and diluted net loss per share	13,634,131		433,541(f)	14,067,672
Adjusted pro forma basic and diluted net loss per share applicable to common stockholders	(0.22)			\$ (0.25)
Shares used to calculate adjusted pro forma basic and diluted net loss per share	19,385,477		433,541(f)	19,819,018

(1) Excludes acquisition-related retention consideration, stock-based compensation and amortization of intangibles

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(2) Components of acquisition-related consideration:			
Service costs	33,723		33,723
Sales and marketing	96,262		96,262
Product development	104,233		104,233
General and administrative	49,051		49,051
(3) Components of stock-based compensation:			
Service costs	16,485		16,485
Sales and marketing	447,497		447,497
Product development	290,145		290,145
General and administrative	1,905,153		1,905,153
(4) Components of amortization of intangible assets:			
Service costs	2,933,310	1,353,333	4,286,643
Sales and marketing	649,999	250,000	899,999
Product development			
General and administrative	549,999	450,000	999,999

See notes to unaudited pro forma condensed consolidated financial statements.

Marchex, Inc.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For for the six months ended June 30, 2004

	Marchex (Historical)	goClick (Historical)	Pro Forma Adjustments	Pro Forma Combined
Revenue	\$ 16,467,089	\$ 3,060,236	\$ (17,037)(c)	\$ 19,510,288
Expenses:				
Service costs (1)	10,523,390	1,931,520	(17,037)(c)	12,437,873
Sales and marketing (1)	2,040,682	82,667		2,123,349
Product development (1)	1,033,841	17,947		1,051,788
General and administrative (1)	1,541,427	22,736		1,564,163
Acquisition-related retention consideration (2)	255,660			255,660
Facility relocation	230,459			230,459
Stock-based compensation (3)	595,998			595,998
Amortization of intangible assets (4)	2,069,512		476,667(d)	2,546,179
Total operating expenses	18,290,969	2,054,870	459,630	20,805,469
Income (loss) from operations	(1,823,880)	1,005,366	(476,667)	(1,295,181)
Other income (expense):				
Interest income	81,346	5,148		86,494
Interest expense	(1,813)			(1,813)
Adjustment to fair value of redemption obligation	55,250			55,250
other	3,643			3,643
Total other income	138,426	5,148		143,574
Income (loss) before provision for income taxes	(1,685,454)	1,010,514	(476,667)	(1,151,607)
Income tax expense (benefit)	(200,803)		207,907(e)	7,104
Net income (loss)	(1,484,651)	1,010,514	(684,574)	(1,158,711)
Accretion of redemption value of redeemable convertible preferred stock	420,430			420,430
Net Income (loss) applicable to common stockholders	\$ (1,905,081)	\$ 1,010,514	\$ (684,574)	\$ (1,579,141)
Pro forma basic and diluted net loss per share applicable to common stockholders	\$ (0.10)			\$ (0.08)
Shares used to calculate pro forma basic and diluted net loss per share	18,810,413		433,541(f)	19,243,954
Adjusted pro forma basic and diluted net loss per share applicable to common stockholders	\$ (0.09)			\$ (0.07)
Shares used to calculate adjusted pro forma basic and diluted net loss per share	22,357,172			