

PFSWEB INC
Form 10-Q
November 14, 2014

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, 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 000-28275

PFSweb, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

75-2837058
(I.R.S. Employer I.D. No.)

505 Millennium Drive, Allen, Texas 75013
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (972) 881-2900

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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 website, 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 or a non-accelerated filer.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller Reporting Company

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

At November 10, 2014 there were 16,863,587 shares of registrant's common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q

September 30, 2014

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

PFSweb, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)

	(Unaudited)	
	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 19,501	\$ 22,418
Restricted cash	202	130
Accounts receivable, net of allowance for doubtful accounts of \$420 and \$382 at September 30, 2014 and December 31, 2013, respectively	45,157	55,292
Inventories, net of reserves of \$830 and \$962 at September 30, 2014 and December 31, 2013, respectively	14,506	14,169
Other receivables	4,262	5,241
Prepaid expenses and other current assets	5,437	4,713
Total current assets	89,065	101,963
PROPERTY AND EQUIPMENT, net	26,970	27,190
GOODWILL and INTANGIBLE ASSETS	9,851	—
OTHER ASSETS	2,568	2,883
Total assets	\$ 128,454	\$ 132,036
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	\$ 7,428	\$ 8,231
Trade accounts payable	29,590	34,096
Deferred revenue	11,046	8,181
Accrued expenses	26,046	25,045
Total current liabilities	74,110	75,553
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion	3,876	2,876
DEFERRED REVENUE	6,066	7,491
DEFERRED RENT	5,069	5,191
OTHER LIABILITIES	2,778	—
Total liabilities	91,899	91,111
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued or	—	—

outstanding		
Common stock, \$0.001 par value; 35,000,000 shares authorized; 16,842,450 and 16,540,904 shares issued at September 30, 2014 and December 31, 2013, respectively; and 16,808,983 and 16,507,437 outstanding at September 30, 2014 and December 31, 2013, respectively	17	17
Additional paid-in capital	127,653	124,522
Accumulated deficit	(92,030)	(85,300)
Accumulated other comprehensive income	1,040	1,811
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	36,555	40,925
Total liabilities and shareholders' equity	\$ 128,454	\$ 132,036

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

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUES:				
Product revenue, net	\$ 17,340	\$ 21,495	\$ 57,182	\$ 69,660
Service fee revenue	31,411	23,908	86,393	78,708
Pass-through revenue	8,344	8,150	24,792	26,511
Total revenues	57,095	53,553	168,367	174,879
COSTS OF REVENUES:				
Cost of product revenue	16,397	20,221	53,952	65,215
Cost of service fee revenue	22,007	16,196	60,387	53,265
Cost of pass-through revenue	8,344	8,150	24,792	26,511
Total costs of revenues	46,748	44,567	139,131	144,991
Gross profit	10,347	8,986	29,236	29,888
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, including stock based compensation expense of \$853 and \$610 in the three months ended September 30, 2014 and 2013, respectively, and \$2,509 and \$1,195 in the nine months ended September 30, 2014 and 2013, respectively.				
Loss from operations	12,764	10,656	35,271	34,395
INTEREST EXPENSE, net	(2,417)	(1,670)	(6,035)	(4,507)
Loss from operations before income taxes	174	162	490	564
INCOME TAX EXPENSE (BENEFIT)	(2,591)	(1,832)	(6,525)	(5,071)
NET LOSS	(66)	120	205	411
	\$ (2,525)	\$ (1,952)	\$ (6,730)	\$ (5,482)
NET LOSS PER SHARE:				
Basic	\$ (0.15)	\$ (0.12)	\$ (0.40)	\$ (0.38)
Diluted	\$ (0.15)	\$ (0.12)	\$ (0.40)	\$ (0.38)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	16,779	16,121	16,680	14,490
Diluted	16,779	16,121	16,680	14,490
COMPREHENSIVE LOSS:				
Net loss	\$ (2,525)	\$ (1,952)	\$ (6,730)	\$ (5,482)
Foreign currency translation adjustment	(673)	275	(771)	135
TOTAL COMPREHENSIVE LOSS	\$ (3,198)	\$ (1,677)	\$ (7,501)	\$ (5,347)

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

PFSweb, Inc. and Subsidiaries

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		