

PFSWEB INC
Form 10-Q
August 09, 2016

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 June 30, 2016

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 August 5, 2016 there were 18,700,125 shares of registrant's common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q

June 30, 2016

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

PFSweb, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)

	(Unaudited) June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,692	\$ 21,781
Restricted cash	219	275
Accounts receivable, net of allowance for doubtful accounts of \$485 and \$600		
at June 30, 2016 and December 31, 2015, respectively	60,418	70,700
Inventories, net of reserves of \$607 and \$739 at June 30, 2016 and		
December 31, 2015, respectively	8,049	9,262
Other receivables	4,926	8,704
Prepaid expenses and other current assets	5,841	5,662
Total current assets	96,145	116,384
PROPERTY AND EQUIPMENT, net	26,915	24,093
IDENTIFIABLE INTANGIBLES, net	9,295	8,810
GOODWILL	45,601	39,829
OTHER ASSETS	2,294	2,174
Total assets	\$ 180,250	\$ 191,290
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	\$ 5,166	\$ 3,153
Trade accounts payable	39,649	51,170
Deferred revenue	6,377	7,390
Performance-based contingent payments	867	11,679
Accrued expenses	23,950	30,563
Total current liabilities	76,009	103,955
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less		
current portion	49,864	32,238
DEFERRED REVENUE	4,413	4,499
DEFERRED RENT	4,918	4,362
OTHER LIABILITIES	543	2,478

Total liabilities	135,747	147,532
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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; 18,724,551		
and 18,136,218 shares issued at June 30, 2016 and December 31, 2015,		
respectively; and 18,691,084 and 18,102,751 outstanding at June 30, 2016		
and December 31, 2015, respectively	18	18
Additional paid-in capital	144,662	141,948
Accumulated deficit	(100,721)	(97,787)
Accumulated other comprehensive income (loss)	669	(296)
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	44,503	43,758
Total liabilities and shareholders' equity	\$ 180,250	\$ 191,290

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

PFSWEB, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
REVENUES:				
Service fee revenue	\$ 51,166	\$ 39,075	\$ 100,484	\$ 75,783
Product revenue, net	11,380	13,658	24,987	30,312
Pass-through revenue	14,653	10,443	26,809	20,927
Total revenues	77,199	63,176	152,280	127,022
COSTS OF REVENUES:				
Cost of service fee revenue	34,381	26,645	66,655	51,800
Cost of product revenue	10,742	12,911	23,644	28,619
Cost of pass-through revenue	14,653	10,443	26,809	20,927
Total costs of revenues	59,776	49,999	117,108	101,346
Gross profit	17,423	13,177	35,172	25,676

SELLING, GENERAL AND ADMINISTRATIVE

EXPENSES, including stock based compensation expense

of \$629 and \$1,150 in the three months ended

June 30, 2016 and 2015, respectively, and \$1,396 and

\$1,954 in the six months ended June 30, 2016 and

2015, respectively	18,808	14,676	36,358	28,290
Loss from operations	(1,385)	(1,499)	(1,186)	(2,614)
INTEREST EXPENSE, net	609	223	1,094	541
Loss from operations before income taxes	(1,994)	(1,722)	(2,280)	(3,155)
INCOME TAX EXPENSE	188	178	654	438
NET LOSS	\$ (2,182)	\$ (1,900)	\$ (2,934)	\$ (3,593)

NET LOSS PER SHARE:

Basic	\$ (0.12)	\$ (0.11)	\$ (0.16)	\$ (0.21)
Diluted	\$ (0.12)	\$ (0.11)	\$ (0.16)	\$ (0.21)

WEIGHTED AVERAGE NUMBER OF SHARES

OUTSTANDING:

Basic	18,627	17,368	18,477	17,257
Diluted	18,627	17,368	18,477	17,257

COMPREHENSIVE LOSS:

Net loss	\$ (2,182)	\$ (1,900)	\$ (2,934)	\$ (3,593)
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Foreign currency translation adjustment	669	238	965	(668)
TOTAL COMPREHENSIVE LOSS	\$(1,513)	\$(1,662)	\$(1,969)	\$(4,261)

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

PFSweb, Inc. and Subsidiaries

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(2,934)	\$(3,593)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,403	