

CHANNELADVISOR CORP
Form 10-Q
August 07, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2013

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 001-35940

CHANNELADVISOR CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware (State or Other Jurisdiction of Incorporation or Organization)	56-2257867 (I.R.S. Employer Identification No.)
2701 Aerial Center Parkway, Morrisville, NC (Address of principal executive offices)	27560 (Zip Code)
(919) 228-4700	

(Registrant's telephone number, including area code)

N/A

(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 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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934.

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 Securities Exchange Act of 1934). Yes No

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of the close of business on July 31, 2013 was 21,644,862.

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CHANNELADVISOR CORPORATION

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Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****ChannelAdvisor Corporation and Subsidiaries****Condensed Consolidated Balance Sheets**

(in thousands, except share and per share data)

	June 30, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash	\$ 94,049	\$ 10,865
Accounts receivable, net of allowance of \$192 and \$191 as of June 30, 2013 and December 31, 2012, respectively	9,177	9,571
Prepaid expenses and other current assets	2,428	2,589
Total current assets	105,654	23,025
Property and equipment, net	5,902	4,315
Goodwill	16,106	16,106
Intangible assets, net	868	1,245
Restricted cash	685	687
Other assets	335	2,644
Total assets	\$ 129,550	\$ 48,022
Liabilities, redeemable convertible preferred stock and stockholders equity (deficit)		
Current liabilities:		
Accounts payable	\$ 1,168	\$ 1,269
Accrued expenses	5,387	4,650
Deferred revenue	12,299	9,750
Current portion of long-term debt	3,316	3,370
Other current liabilities	1,924	979
Total current liabilities	24,094	20,018
Long-term debt, net of current portion	7,905	7,603
Series A and Series C warrants liability		3,235
Long-term capital leases, net of current portion	1,800	1,136
Other long-term liabilities	1,837	1,714
Total liabilities	35,636	33,706
Commitments and contingencies		
Redeemable convertible preferred stock:		
Convertible Series A preferred stock, \$0.001 par value, 0 and 94,069,763 shares authorized, 0 and 93,821,393 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively		18,887
Convertible Series B preferred stock, \$0.001 par value, 0 and 40,641,227 shares authorized, issued and outstanding as of June 30, 2013 and December 31, 2012, respectively		18,000
Convertible Series B-1 preferred stock, \$0.001 par value, 0 and 5,660,378 shares authorized, issued and outstanding as of June 30, 2013 and December 31, 2012, respectively		3,000
		50,608

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Convertible Series C preferred stock, \$0.001 par value, 0 and 80,000,000 shares authorized, 0 and 73,880,351 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively

Total redeemable convertible preferred stock		90,495
Stockholders' equity (deficit):		
Common stock, \$0.001 par value, 100,000,000 and 303,500,000 shares authorized, 21,637,938 and 1,240,193 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively	21	1
Additional paid-in capital	181,541	3,584
Accumulated other comprehensive loss	(447)	(289)
Accumulated deficit	(87,201)	(79,475)
Total stockholders' equity (deficit)	93,914	(76,179)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$ 129,550	\$ 48,022

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

Table of Contents**ChannelAdvisor Corporation and Subsidiaries****Unaudited Condensed Consolidated Statements of Operations**

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 15,976	\$ 12,408	\$ 30,898	\$ 24,574
Cost of revenue	4,469	3,630	8,415	6,876
Gross profit	11,507	8,778	22,483	17,698
Operating expenses:				
Sales and marketing	9,292	6,616	17,082	12,006
Research and development	2,910	2,523	5,891	5,074
General and administrative	2,801	1,986	5,142	3,774
Total operating expenses	15,003	11,125	28,115	20,854
Loss from operations	(3,496)	(2,347)	(5,632)	(3,156)
Other (expense) income:				
Interest expense, net	(1,489)	(399)	(2,087)	(421)
Other income, net	2	12	14	16
Total other (expense) income	(1,487)	(387)	(2,073)	(405)
Loss before income taxes	(4,983)	(2,734)	(7,705)	(3,561)
Income tax expense	14	16	21	40
Net loss	\$ (4,997)	\$ (2,750)	\$ (7,726)	\$ (3,601)
Net loss per share:				
Basic and diluted	\$ (0.56)	\$ (2.39)	\$ (1.52)	\$ (3.13)
Weighted average common shares outstanding:				
Basic and diluted	8,847,309	1,152,142	5,094,552	1,148,649

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

Table of Contents**ChannelAdvisor Corporation and Subsidiaries****Unaudited Condensed Consolidated Statements of Comprehensive Loss**

(in thousands)

	Three Months Ended June		Six Months Ended June	
	2013	2012	2013	2012
Net loss	\$ (4,997)	\$ (2,750)	\$ (7,726)	\$ (3,601)
Other comprehensive loss:				
Foreign currency translation adjustments	(98)	(51)	(158)	(37)
Total comprehensive loss	\$ (5,095)	\$ (2,801)	\$ (7,884)	\$ (3,638)

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

Table of Contents**ChannelAdvisor Corporation and Subsidiaries****Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity (Deficit)**

(in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders Equity (Deficit)
	Shares	Amount				
Balance, December 31, 2012	1,240,193	\$ 1	\$ 3,584	\$ (289)	\$ (79,475)	\$ (76,179)
Conversion of redeemable convertible preferred stock to common stock	13,401,499	13	91,137			91,150
Conversion of redeemable convertible preferred stock warrants to common stock warrants			3,632			3,632
Issuance of common stock from initial public offering, net of issuance costs	6,612,500	7	81,981			81,988
Cashless exercise of common stock warrants	194,885					
Exercise of stock options	188,861		248			248