

PFSWEB INC  
Form 10-Q  
May 10, 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 March 31, 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 May 6, 2016 there were 18,679,354 shares of registrant's common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q

March 31, 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)	
	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 15,636	\$ 21,781
Restricted cash	224	275
Accounts receivable, net of allowance for doubtful accounts of \$558 and \$600		
at March 31, 2016 and December 31, 2015, respectively	59,971	70,700
Inventories, net of reserves of \$599 and \$739 at March 31, 2016 and		
December 31, 2015, respectively	8,433	9,262
Other receivables	6,615	8,704
Prepaid expenses and other current assets	5,997	5,662
<b>Total current assets</b>	<b>96,876</b>	<b>116,384</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>23,670</b>	<b>24,093</b>
<b>IDENTIFIABLE INTANGIBLES, net</b>	<b>7,962</b>	<b>8,810</b>
<b>GOODWILL</b>	<b>39,829</b>	<b>39,829</b>
<b>OTHER ASSETS</b>	<b>2,199</b>	<b>2,174</b>
<b>Total assets</b>	<b>\$ 170,536</b>	<b>\$ 191,290</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt and capital lease obligations	\$ 6,267	\$ 3,153
Trade accounts payable	35,214	51,170
Deferred revenue	6,499	7,390
Performance-based contingent payments	11,440	11,679
Accrued expenses	26,174	30,563
<b>Total current liabilities</b>	<b>85,594</b>	<b>103,955</b>
<b>LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less</b>		
current portion	30,683	32,238
<b>DEFERRED REVENUE</b>	<b>4,496</b>	<b>4,499</b>
<b>DEFERRED RENT</b>	<b>4,343</b>	<b>4,362</b>
<b>OTHER LIABILITIES</b>	<b>1,570</b>	<b>2,478</b>

Total liabilities	126,686	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; 18,345,243 and 18,136,218 shares issued at March 31, 2016 and December 31, 2015, respectively; and 18,311,776 and 18,102,751 outstanding at March 31, 2016 and December 31, 2015, respectively	18	18
Additional paid-in capital	142,149	141,948
Accumulated deficit	(98,539 )	(97,787 )
Accumulated other comprehensive income (loss)	347	(296 )
Treasury stock at cost, 33,467 shares	(125 )	(125 )
Total shareholders' equity	43,850	43,758
Total liabilities and shareholders' equity	\$ 170,536	\$ 191,290

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

## PFSWEB, INC. AND SUBSIDIARIES

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	2016	2015
<b>REVENUES:</b>		
Service fee revenue	\$ 49,318	\$ 36,708
Product revenue, net	13,607	16,654
Pass-through revenue	12,155	10,484
Total revenues	75,080	63,846
<b>COSTS OF REVENUES:</b>		
Cost of service fee revenue	32,274	25,155
Cost of product revenue	12,903	15,708
Cost of pass-through revenue	12,155	10,484
Total costs of revenues	57,332	51,347
Gross profit	17,748	12,499
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, including stock based compensation expense of \$766 and \$804 in the three months ended March 31, 2016 and 2015, respectively		
Income (loss) from operations	17,550	13,614
INTEREST EXPENSE, net	198	(1,115 )
Loss from operations before income taxes	484	318
INCOME TAX EXPENSE	(286 )	(1,433 )
NET LOSS	466	260
	\$ (752 )	\$ (1,693 )
<b>NET LOSS PER SHARE:</b>		
Basic	\$ (0.04 )	\$ (0.10 )
Diluted	\$ (0.04 )	\$ (0.10 )
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:</b>		
Basic	18,325	17,144
Diluted	18,325	17,144
<b>COMPREHENSIVE LOSS:</b>		
Net loss	\$ (752 )	\$ (1,693 )
Foreign currency translation adjustment	643	(906 )
TOTAL COMPREHENSIVE LOSS	\$ (109 )	\$ (2,599 )

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)

	Three Months Ended March 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(752 )	\$(1,693 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,603	3,255
Amortization of debt issuance costs	36	—
Gain on sale of fixed assets	—	20
Provision for doubtful accounts	(32 )	11
Provision for excess and obsolete inventory	24	1
Deferred income taxes	34	50
Stock-based compensation expense	766	804
Non-cash compensation expense	—	44
Change in performance-based contingent payments	(1,036 )	—
Changes in operating assets and liabilities:		
Restricted cash	—	1
Accounts receivable	11,499	7,101
Inventories	834	568
Prepaid expenses, other receivables and other assets	1,748	1,640
Deferred rent	(135 )	(148 )
Accounts payable, deferred revenue, accrued expenses and other liabilities	(24,965)	(16,070)
Net cash used in operating activities	(8,376 )	(4,416 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(1,367 )	(1,270 )
Net cash used in investing activities	(1,367 )	(1,270 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock	742	517
Decrease in restricted cash	51	227
Payments on performance-based contingent payments	(88 )	—
Payments on capital lease obligations	(731 )	(581 )
Proceeds from debt, net	1,200	3,273
Borrowings on revolver	15,838	—
Payments on revolver	(14,147)	—