

PFSWEB INC
Form 10-Q
August 09, 2018

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, 2018

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 | 75-2837058 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

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

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

Not Applicable

Edgar Filing: PFSWEB INC - Form 10-Q

(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 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, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller Reporting Company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 6, 2018, there were 19,258,092 shares of registrant’s common stock outstanding.

PFSWEB, INC. AND SUBSIDIARIES

Form 10-Q

INDEX

| | Page |
|---|--------|
| | Number |
| <u>PART I. FINANCIAL INFORMATION</u> | |
| Item 1. <u>Financial Statements:</u> | |
| <u>Condensed Consolidated Balance Sheets as of June 30, 2018 (Unaudited) and December 31, 2017</u> | 3 |
| <u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Six Months Ended June 30, 2018 and 2017</u> | 4 |
| <u>Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2018 and 2017</u> | 5 |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u> | 6 |
| Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 14 |
| Item 3. <u>Quantitative and Qualitative Disclosure about Market Risk</u> | 21 |
| Item 4. <u>Controls and Procedures</u> | 21 |
| <u>PART II. OTHER INFORMATION</u> | |
| Item 1. <u>Legal Proceedings</u> | 22 |
| Item 1A. <u>Risk Factors</u> | 22 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 22 |

| | |
|--|----|
| Item 3. <u>Defaults Upon Senior Securities</u> | 22 |
| Item 4. <u>Mine Safety Disclosure</u> | 22 |
| Item 5. <u>Other Information</u> | 22 |
| Item 6. <u>Exhibits</u> | 23 |
| <u>SIGNATURES</u> | 24 |

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

PFSweb, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)

| | (Unaudited) | |
|--|-------------------|----------------------|
| | June 30, 2018 | December 31, 2017 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 13,622 | \$ 19,078 |
| Restricted cash | 214 | 214 |
| Accounts receivable, net of allowance for doubtful accounts of \$393 and \$373 at June 30, 2018 and December 31, 2017, respectively | 53,387 | 72,062 |
| Inventories, net of reserves of \$296 and \$342 at June 30, 2018 and December 31, 2017, respectively | 5,677 | 5,326 |
| Other receivables | 4,460 | 5,366 |
| Prepaid expenses and other current assets | 6,470 | 6,633 |
| Total current assets | 83,830 | 108,679 |
| PROPERTY AND EQUIPMENT: | | |
| Cost | 116,690 | 120,403 |
| Less: accumulated depreciation | (94,932) | (96,225) |
| | 21,758 | 24,178 |
| IDENTIFIABLE INTANGIBLES, net | 2,535 | 3,371 |
| GOODWILL | 45,424 | 45,698 |
| OTHER ASSETS | 3,636 | 3,861 |
| Total assets | \$ 157,183 | \$ 185,787 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Trade accounts payable | \$ 30,910 | \$ 45,070 |
| Accrued expenses | 22,532 | 29,074 |
| Current portion of long-term debt and capital lease obligations | 5,537 | 9,460 |
| Deferred revenues | 5,397 | 7,405 |
| Performance-based contingent payments | — | 3,967 |
| Total current liabilities | 64,376 | |