

Bridgeline Digital, Inc.  
Form 10-Q  
August 14, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File Number 333-139298*

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**Bridgeline Digital, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**

State or other jurisdiction of incorporation or organization

**52-2263942**

IRS Employer Identification No.

**80 Blanchard Road**  
**Burlington, Massachusetts 01803**  
(Address of Principal Executive Offices) (Zip Code)

**(781) 376-5555**  
(Registrant’s telephone number, including area code)

(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 Web site, 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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer    Accelerated filer    Non-accelerated filer    Smaller reporting company  
(Do not check if a smaller reporting company)

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

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The number of shares of Common Stock par value \$0.001 per share, outstanding as of August 12, 2014 was 21,897,904

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**Bridgeline Digital, Inc.**

**Quarterly Report on Form 10-Q**

**For the Quarterly Period ended June 30, 2014**

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**Bridgeline Digital, Inc.**

**Quarterly Report on Form 10-Q**

**For the Quarterly Period ended June 30, 2014**

*Statements contained in this Report on Form 10-Q that are not based on historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as “should,” “could,” “may,” “will,” “expect,” “believe,” “estimate,” “anticipate,” “intends,” “continue,” or similar terms or variations of those terms or the negative of those terms. These statements appear in a number of places in this Form 10-Q and include statements regarding the intent, belief or current expectations of Bridgeline Digital, Inc. Forward-looking statements are merely our current predictions of future events. Investors are cautioned that any such forward-looking statements are inherently uncertain, are not guaranties of future performance and involve risks and uncertainties. Actual results may differ materially from our predictions. Important factors that could cause actual results to differ from our predictions include the impact of the weakness in the U.S. and international economies on our business, our inability to manage our future growth effectively or profitably, fluctuations in our revenue and quarterly results, our license renewal rate, the impact of competition and our ability to maintain margins or market share, our ability to maintain our listing on the NASDAQ Capital Market, the effect of the delisting of our common stock from the NASDAQ Capital Market, the limited market for our common stock, the volatility of the market price of our common stock, the performance of our products, our ability to respond to rapidly evolving technology and customer requirements, our ability to protect our proprietary technology, the security of our software, our dependence on our management team and key personnel, our ability to hire and retain future key personnel, or our ability to maintain an effective system of internal controls. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized, nor is there any assurance that we have identified all possible issues which we might face. We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2013 as well as in the other documents that we file with the Securities and Exchange Commission. You can read these documents at [www.sec.gov](http://www.sec.gov).*

Where we say “we,” “us,” “our,” “Company” or “Bridgeline Digital” we mean Bridgeline Digital, Inc.



**PART I—FINANCIAL INFORMATION****Item 1. Financial Statements.****BRIDGELINE DIGITAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except share and per share data)

(Unaudited)

<b>ASSETS</b>	<b>June 30, 2014</b>	<b>September 30, 2013</b>
Current assets:		
Cash and cash equivalents	\$1,547	\$ 2,830
Accounts receivable and unbilled receivables, net	3,827	3,194
Prepaid expenses and other current assets	844	963
Total current assets	6,218	6,987
Equipment and improvements, net	2,436	3,065
Intangible assets, net	1,729	1,517
Goodwill	23,151	23,777
Other assets	1,427	1,631
Total assets	\$34,961	\$ 36,977
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$1,192	\$ 1,746
Accrued liabilities	1,022	1,093
Accrued earnouts, current	591	561
Debt, current	-	1,165
Capital lease obligations, current	369	397
Deferred revenue	2,506	1,960
Total current liabilities	5,680	6,922
Accrued earnouts, net of current portion	456	950
Debt, net of current portion	5,901	4,725
Capital lease obligations, net of current portion	340	544
Other long term liabilities	1,010	1,088
Total liabilities	13,387	14,229



Commitments and contingencies

Stockholders' equity:

Preferred stock - \$0.001 par value; 1,000,000 shares authorized; none issued and outstanding	-	-
Common stock - \$0.001 par value; 30,000,000 shares authorized; 21,869,699 at June 30, 2014 and 18,313,765 at September 30, 2013 shares issued and outstanding	22	18
Additional paid-in capital	47,568	44,206
Accumulated deficit	(25,711)	(21,314 )
Accumulated other comprehensive loss	(305 )	(162 )
Total stockholders' equity	21,574	22,748
Total liabilities and stockholders' equity	\$34,961	\$ 36,977

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

**BRIDGELINE DIGITAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except share and per share data)

(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenue:				
Digital engagement services	\$4,233	\$4,276	\$12,392	\$13,614
Subscription and perpetual licenses	1,510	915	4,394	2,726
Managed service hosting	409	409	1,181	1,456
Total revenue	6,152	5,600	17,967	17,796
Cost of revenue:				
Digital engagement services	2,531	2,341	7,703	7,566
Subscription and perpetual licenses	422	330	1,271	770
Managed service hosting	66	76	218	224
Total cost of revenue	3,019	2,747	9,192	8,560
Gross profit	3,133	2,853	8,775	9,236
Operating expenses:				
Sales and marketing	1,992	2,275	6,030	6,266
General and administrative	1,110	1,140	3,308	3,440
Research and development	613	515	1,715	893
Depreciation and amortization	510	412	1,515	1,226
Total operating expenses	4,225	4,342	12,568	11,825
Loss from operations	(1,092)	(1,489)	(3,793)	(2,589)
Interest and other expense, net	(190)	(59)	(524)	(194)
Loss before income taxes	(1,282)	(1,548)	(4,317)	(2,783)
Provision for income taxes	24	21	80	110
Net loss	\$(1,306)	\$(1,569)	\$(4,397)	\$(2,893)
Net loss per share:				
Basic and diluted	\$(0.06)	\$(0.10)	\$(0.23)	\$(0.19)
Number of weighted average shares outstanding:				
Basic and diluted	21,296,484	15,037,767	19,028,445	14,902,419

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



**BRIDGELINE DIGITAL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Dollars in thousands)

(Unaudited)

	<b>Three Months Ended June 30, 2014</b>		<b>Nine Months Ended June 30, 2014</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
Net Loss	\$(1,306)	\$(1,569)	\$(4,397)	\$(2,893)
Other Comprehensive Gain (Loss): Net change in Foreign Currency Translation Adjustment	(18 )	(12 )	(143 )	39
Comprehensive loss	\$(1,324)	\$(1,581)	\$(4,540)	\$(2,854)

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

**BRIDGELINE DIGITAL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

(Unaudited)

	<b>Nine Months Ended June 30, 2014      2013</b>	
Cash flows from operating activities:		
Net loss	\$(4,397)	\$(2,893)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	498	391
Depreciation	980	