

Bridgeline Software, Inc.
Form 10-Q
February 17, 2009

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 December 31, 2008

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 333-139298

Bridgeline Software, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-2263942
(I.R.S. Employer Identification No.)

10 Sixth Road
Woburn, MA
(Address of principal executive offices)

01801
(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

Common Stock, par value \$0.001 per share, outstanding as of February 6, 2009: 10,950,808

Bridgeline Software, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended December 31, 2008

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Bridgeline Software, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period ended December 31, 2008

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 Software, 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 our limited operating history, our license renewal rate, our ability to maintain our listing on the Nasdaq Capital Market, the impact of the global financial deterioration on our business, our inability to manage our future growth efficiently or profitably, our inability to find, complete and integrate additional acquisitions, the acceptance of our products, the performance of our products, our dependence on our management team and key personnel, our ability to hire and retain future key personnel or the impact of competition and our ability to maintain margins or market share. 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-KSB for the fiscal year ended September 30, 2008 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.

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Bridgeline Software, Inc.

Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	December 31, 2008	September 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,507	\$ 1,911
Accounts receivable, net of allowance of \$376 and \$380, respectively	3,702	4,024
Unbilled receivables	974	1,576
Prepaid expenses and other current assets	805	529
Total current assets	7,988	8,040
Equipment and improvements, net	1,858	1,763
Definite-lived intangible assets, net	2,790	2,980
Goodwill, net of preliminary impairment charge of \$9,752 and \$9,752, respectively	11,171	10,725
Other assets	705	751
Total assets	\$ 24,512	\$ 24,259
Liabilities and stockholders' equity		
Current liabilities:		
Line of credit	\$ 1,000	\$ 1,000
Capital lease obligations, current	87	105
Accounts payable	1,580	1,770
Deferred revenue	1,044	1,176
Accrued liabilities	1,953	1,860
Total current liabilities	5,664	5,911
Capital lease obligations, less current portion	115	139
Other long term liabilities	19	19
Total liabilities	5,798	6,069
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; 20,000,000 shares authorized, 10,950,808 and 10,665,533 shares issued and outstanding, respectively	11	11
Additional paid-in capital	35,020	34,647
Accumulated deficit	(16,207)	(16,369)
Accumulated other comprehensive loss	(110)	(99)
Total stockholders' equity	18,714	18,190

Total liabilities and stockholders' equity	\$	24,512	\$	24,259
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The accompanying notes are an integral part of these consolidated financial statements

Bridgeline Software, Inc.

Consolidated Statements of Operations
(Dollars in thousands except per share data)
(unaudited)

	Three months ended	
	December	December 31,
	31,	2007
	2008	
Revenue:		
Application development services	\$ 5,548	\$ 3,680
Managed services	598	358
Product license & subscriptions	327	165
Total revenue	6,473	4,203
Cost of revenue:		
Application development services	2,641	1,936
Managed services	134	73