

EGAIN COMMUNICATIONS CORP

Form 10-Q

May 17, 2010

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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 March 31, 2010

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 No. 0-30260

eGAIN COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
 (State or other jurisdiction of
 incorporation or organization)

77-0466366
 (I.R.S. Employer
 Identification No.)

345 E. Middlefield, Mountain View, CA
 (Address of principal executive offices)

94043
 (Zip Code)

(650) 230-7500
 (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 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, or 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 Exchange Act (check one):

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 Exchange Act): Yes No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 2010
Common Stock \$0.001 par value	22,149,999

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

eGAIN COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, unaudited)

	March 31, 2010	June 30, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,587	\$ 7,511
Restricted cash	13	13
Accounts receivable, net	2,735	4,308
Prepaid and other current assets	325	538
Total current assets	10,660	12,370
Property and equipment, net	955	995
Goodwill	4,880	4,880
Other assets	462	391
Total assets	\$ 16,957	\$ 18,636
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 786	\$ 979
Accrued compensation	1,432	2,429
Accrued liabilities	1,831	2,141
Deferred revenue	6,040	5,398
Capital lease obligation	166	181
Bank borrowings	125	3,125
Total current liabilities	10,380	14,253
Deferred revenue, net of current portion	224	133
Capital lease obligation, net of current portion	63	187
Related party notes payable	8,459	7,697
Bank borrowings, net of current portion	21	115
Other long term liabilities	304	344
Total liabilities	19,451	22,729
Commitments and Contingencies (Notes 10 and 12)		
Stockholders' deficit:		
Common stock	22	22
Additional paid-in capital	323,666	323,550
Notes receivable from stockholders	(78)	(76)
Accumulated other comprehensive loss	(551)	(506)
Accumulated deficit	(325,553)	(327,083)

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Total stockholders' deficit	(2,494)	(4,093)
Total liabilities and stockholders' deficit	\$ 16,957	\$ 18,636

See accompanying notes

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	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Revenue:				
License	\$ 1,407	\$ 463	\$ 5,877	\$ 5,591
Recurring services	4,248	3,708	12,524	11,456
Professional services	1,288	2,410	4,829	7,262
Total revenue	6,943	6,581	23,230	24,309
Cost of license	1	16	152	54
Cost of recurring services	1,104	1,035	3,385	3,239
Cost of professional services	1,225	1,405	3,857	4,621
Gross profit	4,613	4,125	15,836	16,395
Operating costs and expenses:				
Research and development	1,402	1,378	3,857	4,303
Sales and marketing	2,461	2,101	7,245	7,734
General and administrative	755	616	2,272	2,536
Total operating costs and expenses	4,618	4,095	13,374	14,573
Income / (loss) from operations	(5)	30	2,462	1,822
Interest expense, net	(282)	(318)	(837)	(1,138)
Other income / (expense) , net	(5)	130	25	495
Income / (loss) before income taxes	(292)	(158)	1,650	1,179
Benefit / (provision) for income taxes	(26)	(38)	(120)	72
Net income / (loss)	\$ (318)	\$ (196)	\$ 1,530	\$ 1,251
Per Share information:				
Basic net income / (loss) per common share	\$ (0.01)	\$ (0.01)	\$ 0.07	\$ 0.06
Diluted net income / (loss) per common share	\$ (0.01)	\$ (0.01)	\$ 0.07	\$ 0.06
Weighted average shares used in computing basic net income / (loss) per common share	22,162	22,213	22,194	20,079
Weighted average shares used in computing diluted net income/ (loss) per common share	22,162	22,213	22,513	20,080

See accompanying notes

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	Nine Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 1,530	\$ 1,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	475	561
Loss on disposal of property and equipment		60
Stock-based compensation	191	222
Provisions for doubtful accounts and sales returns	(38)	67
Amortization of debt issuance costs	63	
Accrued interest and amortization of discount on related party notes payable	762	963
Changes in operating assets and liabilities:		
Accounts receivable	1,416	(2,148)
Prepaid and other current assets	141	170
Other assets	(42)	(103)
Accounts payable	(173)	(543)
Accrued compensation	(952)	225
Accrued liabilities	(251)	178
Deferred revenue	1,027	988
Other long term liabilities	(71)	97
Net cash provided by operating activities	4,078	1,988
Cash flows from investing activities:		
Purchases of property and equipment	(445)	(278)
Proceeds from sales of property and equipment		14
Net cash used in investing activities		