

EGAIN COMMUNICATIONS CORP
Form 10-Q
November 14, 2011
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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 September 30, 2011

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. 001-35314

eGAIN COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction)
77-0466366
(I.R.S. Employer
Identification No.)
of incorporation or organization)
1252 Borregas Avenue, Sunnyvale, CA
(Address of principal executive offices)
94089
(Zip Code)
(408) 636-4500
(Registrant's telephone number, including area code)
345 E. Middlefield, Mountain View, CA 94043
(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 November 8, 2011
Common Stock \$0.001 par value	24,340,353

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eGAIN COMMUNICATIONS CORPORATION

Quarterly Report on Form 10-Q

For the Quarterly Period Ended September 30, 2011

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)****eGAIN COMMUNICATIONS CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(in thousands)

	September 30, 2011	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,406	\$ 12,424
Short term investments		633
Current portion of restricted cash	37	39
Accounts receivable, net	4,674	8,197
Prepaid and other current assets	663	553
Total current assets	20,780	21,846
Property and equipment, net	1,344	1,015
Goodwill	4,880	4,880
Restricted cash, net of current portion	1,000	
Other assets	456	483
Total assets	\$ 28,460	\$ 28,224
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,318	\$ 924
Accrued compensation	1,958	3,279
Accrued liabilities	1,515	1,911
Current portion of deferred revenue	6,507	5,215
Current portion of capital lease obligation		28
Current portion of related party notes payable	5,131	4,975
Current portion of bank borrowings	1,667	1,667
Total current liabilities	18,096	17,999
Deferred revenue, net of current portion	489	609
Bank borrowings, net of current portion	2,917	3,333
Other long term liabilities	256	271
Total liabilities	21,758	22,212
Commitments and contingencies (Notes 10 and 12)		
Stockholders equity :		
Common stock, \$0.001 par value authorized: 50,000 shares; outstanding: 24,340 shares as of September 30, 2011 and 24,062 shares as of June 30, 2011	24	24
Additional paid-in capital	325,731	325,569
Notes receivable from stockholders	(82)	(82)
Accumulated other comprehensive loss	(846)	(800)

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Accumulated deficit	(318,125)	(318,699)
Total stockholders' equity	6,702	6,012
Total liabilities and stockholders' equity	\$ 28,460	\$ 28,224

See accompanying notes

to condensed consolidated financial statements

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(in thousands, except per share data)

	Three Months Ended September 30,	
	2011	2010
Revenue:		
License	\$ 2,886	\$ 7,360
Recurring revenue	5,781	4,450
Professional services	1,717	1,276
Total revenue	10,384	13,086
Cost of license	(10)	14
Cost of recurring revenue	1,266	1,233
Cost of professional services	1,549	1,227
Gross profit	7,579	10,612
Operating expenses:		
Research and development	1,430	1,414
Sales and marketing	4,046	3,514
General and administrative	1,113	804
Total operating expenses	6,589	5,732
Income from operations	990	4,880
Interest expense, net	(175)	(276)
Other income / (expense), net	(210)	281
Income before income taxes	605	4,885
Income tax provision	(31)	(39)
Net income	\$ 574	\$ 4,846
Per share information:		
Basic net income per common share	\$ 0.02	\$ 0.22
Diluted net income per common share	\$ 0.02	\$ 0.22
Weighted average shares used in computing basic net income per common share	24,141	22,124
Weighted average shares used in computing diluted net income per common share	25,977	22,392

See accompanying notes

to condensed consolidated financial statements

Table of Contents**eGAIN COMMUNICATIONS CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

(in thousands)

	Three Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 574	\$ 4,846
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	161	145
Stock-based compensation	130	54
Provisions for doubtful accounts	(35)	18
Accrued interest and amortization of discount on related party notes payable	156	274
Changes in operating assets and liabilities:		
Accounts receivable	3,926	(6,812)
Prepaid expenses and other assets	(110)	(4)
Accounts payable	411	(11)
Accrued compensation	(1,290)	683
Accrued liabilities	(351)	(504)
Deferred revenue	781	535
Other long term liabilities	(6)	176
Net cash provided by (used in) operating activities	4,347	(600)
Cash flows from investing activities:		
Purchases of property and equipment	(511)	(229)
Proceeds from sale of short-term investments	605	
Net cash provided by (used in) investing activities	94	(229)
Cash flows from financing activities:		
Payments on bank borrowings	(416)	(31)
Payments on capital lease obligations	(28)	(45)
Increase in restricted cash	(1,000)	
Payments to repurchase stock		(7)
Proceeds from exercise of stock options	30	
Net cash used in financing activities	(1,414)	(83)
Effect of change in exchange rates on cash and cash equivalents	(45)	(3)
Net increase (decrease) in cash and cash equivalents	2,982	(915)
Cash and cash equivalents at beginning of period	12,424	5,733
Cash and cash equivalents at end of period	\$ 15,406	\$ 4,818
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 36	\$ 3
Cash paid for taxes	\$ 31	\$ 43

See accompanying notes

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to condensed consolidated financial statements

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eGAIN COMMUNICATIONS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Organization, Nature of Business and Basis of Presentation

eGain Communications Corporation is one of the premier providers of cloud and on-premise customer interaction software for sales and service. For over a decade, eGain solutions have helped improve customer experience, grow sales, and optimize service processes across the web, social, and phone channels. Hundreds of global enterprises rely on eGain to transform fragmented sales engagement and customer service operations into unif