

LIVEPERSON INC
Form 10-Q
November 08, 2010

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 SEPTEMBER 30, 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 number: 000-30141

LIVEPERSON, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

13-3861628
(IRS Employer Identification No.)

462 SEVENTH AVENUE, 3rd
FLOOR
NEW YORK, NEW YORK
(Address of Principal Executive
Offices)

10018
(Zip Code)

(212) 609-4200
(Registrant's Telephone Number, Including Area Code)

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 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one).

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

As of November 3, 2010, there were 50,798,801 shares of the issuer’s common stock outstanding.

LIVEPERSON, INC.
SEPTEMBER 30, 2010
FORM 10-Q
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FORWARD-LOOKING STATEMENTS

STATEMENTS IN THIS REPORT ABOUT LIVEPERSON, INC. THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING STATEMENTS BASED ON OUR CURRENT EXPECTATIONS, ASSUMPTIONS, ESTIMATES AND PROJECTIONS ABOUT LIVEPERSON AND OUR INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL FUTURE EVENTS OR RESULTS TO DIFFER MATERIALLY FROM SUCH STATEMENTS. ANY SUCH FORWARD-LOOKING STATEMENTS ARE MADE PURSUANT TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. IT IS ROUTINE FOR OUR INTERNAL PROJECTIONS AND EXPECTATIONS TO CHANGE AS THE YEAR OR EACH QUARTER IN THE YEAR PROGRESS, AND THEREFORE IT SHOULD BE CLEARLY UNDERSTOOD THAT THE INTERNAL PROJECTIONS AND BELIEFS UPON WHICH WE BASE OUR EXPECTATIONS MAY CHANGE PRIOR TO THE END OF EACH QUARTER OR THE YEAR. ALTHOUGH THESE EXPECTATIONS MAY CHANGE, WE ARE UNDER NO OBLIGATION TO INFORM YOU IF THEY DO. OUR COMPANY POLICY IS GENERALLY TO PROVIDE OUR EXPECTATIONS ONLY ONCE PER QUARTER, AND NOT TO UPDATE THAT INFORMATION UNTIL THE NEXT QUARTER. ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN THE PROJECTIONS OR FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE THOSE DISCUSSED IN PART II, ITEM 1A, "RISK FACTORS."

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIVEPERSON, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2010 (Unaudited)	December 31, 2009 (Note 1(B))
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 50,357	\$ 45,572
Accounts receivable, net of allowance for doubtful accounts of \$460 and \$395 as of September 30, 2010 and December 31, 2009, respectively	16,821	10,265
Prepaid expenses and other current assets	3,627	3,661
Deferred tax assets, net	772	1,460
Total current assets	71,577	60,958
Property and equipment, net	12,008	9,551
Intangibles, net	2,442	2,821
Goodwill	24,015	23,920
Deferred tax assets, net	5,327	4,777
Deferred implementation costs, net of current	158	136
Security deposits	490	326
Other assets	1,984	1,792
Total assets	\$ 118,001	\$ 104,281
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,733	\$ 5,375
Accrued expenses	9,927	10,895
Deferred revenue	5,585	4,692
Total current liabilities	20,245	20,962
Deferred revenue, net of current	588	506
Other liabilities	1,868	1,676
Total liabilities	22,701	23,144
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value per share; 5,000,000 shares authorized, 0 shares issued and outstanding at September 30, 2010 and December 31, 2009	—	—
Common stock, \$.001 par value per share; 100,000,000 shares authorized, 50,704,676 shares issued and outstanding at September 30, 2010 and 49,435,682 shares issued and outstanding at December 31, 2009	51	49
Additional paid-in capital	198,385	190,692
Accumulated deficit	(102,915)	(109,432)
Accumulated other comprehensive loss	(221)	(172)
Total stockholders' equity	95,300	81,137

Total liabilities and stockholders' equity	\$	118,001	\$	104,281
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SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS.

LIVEPERSON, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
UNAUDITED

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Revenue	\$ 28,221	\$ 22,262	\$ 79,927	\$ 62,722
Operating expenses:				
Cost of revenue	7,595	5,495	21,405	15,007
Product development	3,940	3,109	11,454	8,949
Sales and marketing	8,289	6,535	24,431	19,947
General and administrative	4,178	3,312	12,145	9,991
Amortization of intangibles	83	118	249	662
Total operating expenses	24,085	18,569	69,684	54,556
Income from operations	4,136	3,693	10,243	8,166
Other income (expense):				
Financial income (expense)	43	75	(47)	(21)
Interest income	30	15	83	71
Total other income (expense), net	73	90	36	50
Income before provision for income taxes	4,209	3,783	10,279	8,216
Provision for income taxes	1,444	1,516	3,762	3,544
Net income	\$ 2,765	\$ 2,267	\$ 6,517	\$ 4,672
Basic net income per common share	\$ 0.05	\$ 0.05	\$ 0.13	\$ 0.10
Diluted net income per common share	\$ 0.05	\$ 0.05	\$ 0.12	\$ 0.10
Weighted average shares outstanding used in basic net income per common share calculation	50,976,468	47,968,777	50,578,801	47,684,047
Weighted average shares outstanding used in diluted net income per common share calculation	53,302,655	49,683,730	52,935,805	48,553,525

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS.

LIVEPERSON, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
UNAUDITED

	Nine Months Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,517	\$ 4,672
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	3,602	3,491
Depreciation	3,888	2,448
Amortization of intangibles	1,168	1,583
Deferred income taxes	138	636
Provision for doubtful accounts	65	30
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	(6,620)	(2,899)
Prepaid expenses and other current assets	44	(833)
Deferred implementation costs	(23)	13
Security deposits	(164)	28
Accounts payable	(957)	1,309
Accrued expenses	(966)	1,581
Deferred revenue	975	787
Net cash provided by operating activities	7,667	12,846
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, including capitalized software	(5,977)	(4,091)
Acquisition of patents	—	(475)
Acquisition of NuConomy, net of cash acquired	(789)	—
Acquisition of Proficient	(95)	(84)
Net cash used in investing activities	(6,861)	(4,650)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock	(3,650)	(28)
Excess tax benefit from the exercise of employee stock options	113	1,248
Proceeds from issuance of common stock in connection with the exercise of options	7,629	1,603
Net cash provided by financing activities	4,092	2,823
Effect of foreign exchange rate changes on cash and cash equivalents	(113)	(33)
Net increase in cash and cash equivalents	4,785	10,986
Cash and cash equivalents at the beginning of the period	45,572	25,500
Cash and cash equivalents at the end of the period	\$ 50,357	\$ 36,486

Supplemental disclosure of non-cash investing activities:

Cash flows from investing for the nine months ended September 30, 2010 does not include the purchases of approximately \$528 of capitalized equipment related to the Company's colocation facility as the corresponding

invoices are included in accounts payable at September 30, 2010, and therefore did not have an impact on cash flows for the period.

Cash flows from investing for the nine months ended September 30, 2009 does not include the purchases of approximately \$147 of capitalized equipment related to the Company's colocation facility as the corresponding invoices are included in accounts payable at September 30, 2009, and therefore did not have an impact on cash flows for the period.

During the nine months ended September 30, 2009, the Company settled a pre-acquisition contingency related to the Kasamba acquisition which resulted in a decrease in accrued expenses in the amount of \$566.

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS.

LIVEPERSON, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(A) SUMMARY OF OPERATIONS

LivePerson, Inc. (the “Company” or “LivePerson”) provides online engagement solutions that facilitate real-time assistance and expert advice. Connecting businesses and independent service providers with individual consumers seeking help on the Web, their hosted software platform creates more relevant, compelling and personalized online experiences. The Company was incorporated in 1995 and commenced operations in 1996.

The Company’s primary revenue source is from the sale of the LivePerson services to businesses of all sizes. The Company also facilitates online transactions between independent service providers (“Experts”) who provide online advice to individual consumers (“Users”). Headquartered in New York City, the Company’s product development staff, help desk and online sales support are located in Israel. The Company also maintains offices in Atlanta, San Francisco and the United Kingdom.

(B) UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The accompanying condensed consolidated financial statements as of September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009 are unaudited. In the opinion of management, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the consolidated financial position of LivePerson as of September 30, 2010, and the consolidated results of operations and cash flows for the interim periods ended September 30, 2010 and 2009. The financial data and other information disclosed in these notes to the cond