

Mattersight Corp
Form 10-Q
May 14, 2012
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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, 2012

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 0-27975

Mattersight Corporation

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

36-4304577
(I.R.S. Employer
Identification No.)

200 S. Wacker Drive

Suite 820

Chicago, Illinois 60606

(Address of Registrant's Principal Executive Offices) (Zip Code)

(877) 235-6925

(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 Section 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 (Section 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 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

The number of shares of the registrant's Common Stock outstanding as of April 27, 2012 was 16,796,055.

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Table of Contents**Part I. Financial Information****Item 1. Financial Statements****MATTERSIGHT CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited and in thousands, except share and per share data)**

	March 31, 2012	December 31, 2011
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 26,130	\$ 29,408
Restricted cash	1,500	1,500
Receivables (net of allowances of \$10 and \$13)	2,068	2,540
Prepaid expenses	5,565	5,302
Other current assets	479	288
Total current assets	35,742	39,038
Equipment and leasehold improvements, net	4,273	4,271
Goodwill	972	972
Intangibles, net	235	238
Other long-term assets	4,278	4,746
Total assets	\$ 45,500	\$ 49,265
LIABILITIES AND STOCKHOLDERS EQUITY:		
Current Liabilities:		
Short-term debt	\$ 3,629	\$ 3,567
Accounts payable	657	812
Accrued compensation and related costs	1,978	1,382
Unearned revenue	9,140	9,783
Other current liabilities	3,795	3,673
Total current liabilities	19,199	19,217
Long-term unearned revenue	2,387	3,036
Other long-term liabilities	1,090	1,401
Total liabilities	22,676	23,654
Series B Stock, \$0.01 par value; 5,000,000 shares authorized and designated; 1,670,696 and 1,670,696 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively, with a liquidation preference of \$8,670 and \$8,819 at March 31, 2012 and December 31, 2011, respectively		
	8,521	8,521
Stockholders Equity:		
Preferred stock, \$0.01 par value; 35,000,000 shares authorized; none issued and outstanding		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 17,983,189 and 18,037,552 shares issued at March 31, 2012, and at December 31, 2011, respectively; and 16,794,571 and 16,935,204 outstanding at March 31, 2012 and December 31, 2011, respectively		
	180	180
Additional paid-in capital	213,691	212,618
Accumulated deficit	(189,149)	(185,779)
	(6,386)	(5,891)

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Treasury stock, at cost, 1,188,618 and 1,102,348 shares at March 31, 2012 and December 31, 2011, respectively

Accumulated other comprehensive loss	(4,033)	(4,038)
Total stockholders' equity	14,303	17,090
Total liabilities and stockholders' equity	\$ 45,500	\$ 49,265

See accompanying notes to the Condensed Consolidated Financial Statements.

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MATTERSIGHT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited and in thousands, except per share data)

	For the Three Months Ended	
	March 31, 2012	April 2, 2011
Revenue:		
Behavioral Analytics revenue	\$ 8,556	\$ 5,967
Other revenue	345	580
Total services revenue	8,901	6,547
Reimbursed expenses	98	77
Total revenue	8,999	6,624
Operating expenses:		
Cost of Behavioral Analytics revenue	3,188	2,762
Cost of other revenue	204	342
Cost of services	3,392	3,104
Reimbursed expenses	98	77
Total cost of revenue, exclusive of depreciation and amortization:	3,490	3,181
Sales, marketing and development	5,184	4,866
General and administrative	1,956	2,755
Severance and related costs	679	4
Depreciation and amortization	867	775
Total operating expenses	12,176	11,581
Operating loss	(3,177)	(4,957)
Interest and other (expense) income, net	(102)	131
Loss from continuing operations before income taxes	(3,279)	(4,826)
Income tax (provision) benefit	(10)	65
Loss from continuing operations	(3,289)	(4,761)
(Loss) income from discontinued operations, net of tax	(81)	122
Net loss	(3,370)	(4,639)
Dividends related to Series B Stock	(149)	(317)
Net loss available to common stockholders	\$ (3,519)	\$ (4,956)
Per common share:		
Basic loss from continuing operations (See Note Eighteen)	\$ (0.22)	\$ (0.36)
Basic (loss) income from discontinued operations	\$ (0.01)	\$ 0.01
Basic net loss available to common stockholders	\$ (0.22)	\$ (0.36)

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Per common share:		
Diluted loss from continuing operations (See Note Eighteen)	\$ (0.22)	\$ (0.36)
Diluted (loss) income from discontinued operations	\$ (0.01)	\$ 0.01
Diluted net loss available to common stockholders	\$ (0.22)	\$ (0.36)
Shares used to calculate basic net loss per share	15,750	13,953
Shares used to calculate diluted net loss per share	15,750	13,953
Stock-based compensation, primarily restricted stock, is included in individual line items above:		
Cost of Behavioral Analytics revenue	\$ 6	\$ 7
Sales, marketing and development	697	872
General and administrative	400	550
Severance and related costs	268	
Discontinued operations		77

See accompanying notes to the Condensed Consolidated Financial Statements.

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MATTERSIGHT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited and in thousands)

	For the Three Months Ended	
	March 31,	April 2,
	2012	2011
Net loss	\$ (3,370)	\$ (4,639)
Other comprehensive loss:		
Effect of currency translation	5	(92)
Comprehensive net loss	\$ (3,365)	\$ (4,731)

See accompanying notes to the Condensed Consolidated Financial Statements.

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MATTERSIGHT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	For the Three Months Ended	
	March 31,	April 2,
	2012	2011
Cash Flows from Operating Activities:		
Net loss	\$ (3,370)	\$ (4,639)
Less: net (loss) income from discontinued operations	(81)	122
Net loss from continuing operations	(3,289)	(4,761)
Adjustments to reconcile net loss from continuing operations to net cash (used in) provided by operating activities:		
Depreciation and amortization	867	775
Stock-based compensation	1,103	1,429
Severance and related costs	268	
Other	(2)	(86)
Changes in assets and liabilities:		
Receivables	474	266
Prepaid expenses	196	(1,533)
Other assets	(63)	(17)
Accounts payable	(155)	881
Accrued compensation and related costs	328	(160)
Unearned revenue	(1,292)	1,970
Other liabilities	(198)	(104)
Total adjustments	1,526	3,421
Net cash used in continuing operations	(1,763)	(1,340)
Net cash used in discontinued operations	(31)	(378)
Net cash used in operating activities	(1,794)	(1,718)