

STOCKGROUP INFORMATION SYSTEMS INC
Form 10QSB
May 14, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2007

Transition report UNDER Section 13 or 15(d) of the Exchange Act

For the transition period from: _____ to _____

Commission file number: 0-23687

STOCKGROUP INFORMATION SYSTEMS INC.

(Exact name of small business issuer as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

Suite 500-750 West Pender Street, Vancouver, British Columbia, V6C 2T7

(Address of principal executive offices)

(604) 331-0995

(Issuer's telephone number)

84-1379282

(IRS Employer Identification No.)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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:

Edgar Filing: STOCKGROUP INFORMATION SYSTEMS INC - Form 10QSB

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by court. Yes: No:

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 37,003,663 common shares at April 30, 2007 (no par value)

Transitional Small Business Disclosure Format (check one): Yes: No

Stockgroup Information Systems Inc.

FORM 10-QSB

INDEX

PART I FINANCIAL INFORMATION

Item 1.	Financial Statements (unaudited)	
	CONDENSED CONSOLIDATED BALANCE SHEETS as of March 31, 2007 and December 31, 2006	3
	CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS for the Three Months Ended March 31, 2007 and 2006	4
	CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY for the Three Months Ended March 31, 2007 and the Year Ended December 31, 2006	5
	CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS for the Three Months Ended March 31, 2007 and 2006	6
	NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7
Item 2.	Management's Discussion and Analysis or Plan of Operation	14
Item 3.	Controls and Procedures	30
PART II OTHER INFORMATION		
Item 1.	Legal Proceedings	31
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 6.	Exhibits	31
SIGNATURES		33

PART I. FINANCIAL INFORMATION**Stockgroup Information Systems Inc.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Expressed in Thousands of U.S. Dollars, except number of common shares in thousands)

(Unaudited)

	March 31, 2007	December 31, 2006 (1)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,130	\$ 2,013
Accounts receivable (net of allowances for doubtful accounts of \$338; December 31, 2006 - \$98)	1,869	814
Prepaid and other current assets	280	186
TOTAL CURRENT ASSETS	4,279	3,013
Prepaid and other long-term assets	360	-
Property and equipment, net	654	447
Unallocated purchase price (note 3)	1,623	-
TOTAL ASSETS	\$ 6,916	\$ 3,460
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,692	\$ 426
Accrued liabilities	1,851	473
Accrued compensation	226	176
Deferred revenues	1,183	810
Capital lease obligations	163	130
TOTAL CURRENT LIABILITIES	5,115	2,015
Long-term capital lease obligations	104	97
Long-term deferred revenues	59	65
TOTAL LIABILITIES	5,278	2,177
<i>Commitments and contingencies (note 6)</i>		
Shareholders' Equity (note 4):		
Common stock, no par value; authorized 75,000; issued and outstanding of 36,989 at March 31, 2007 and 35,350 at December 31, 2006	14,680	13,793
Additional paid-in capital	3,419	3,394
Accumulated deficit	(16,461)	(15,904)
TOTAL SHAREHOLDERS' EQUITY	1,638	1,283
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 6,916	\$ 3,460

(1) The balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date.

Edgar Filing: STOCKGROUP INFORMATION SYSTEMS INC - Form 10QSB

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements

3

Stockgroup Information Systems Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in Thousands of U.S. Dollars, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2007	2006
REVENUES		
Licensing and Subscriptions	\$ 2,175	\$ 921
Advertising	925	883
	3,100	1,804
OPERATING COSTS AND EXPENSES		
Cost of revenues (exclusive of amortization)	1,270	520
Sales and marketing	1,093	776
Research and development	285	129
General and administrative	1,015	504
TOTAL OPERATING COSTS AND EXPENSES	3,663	1,929
Loss from operations	(563)	(125)
Interest income, net	7	10
Net loss before income taxes	(556)	(115)
Provision for income taxes	1	-
Net loss and comprehensive loss	\$ (557)	\$ (115)
Net loss per common share:		
Basic and diluted	\$ (0.02)	\$ (0.00)
Common shares used in computing basic and diluted net loss per share		
(in thousands)	36,504	33,423

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements

Stockgroup Information Systems Inc.**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY****(Expressed in Thousands)****(Unaudited)**

			Additional	Accumulated	Total
	Common stock	Common stock	paid-in capital	deficit	Shareholders
	# of shares	U.S. \$	U.S. \$	U.S. \$	Equity
					U.S. \$
Balance at December 31, 2005	33,522	13,359	3,202	(15,113)	1,448
Issuance of common stock pursuant to exercise of employee stock options	761	200	(10)	-	190
Repurchase of common shares	(100)	(40)	12	-	(28)
Private placement transaction common shares and warrants	1,167	274	69	-	343
Stock based compensation	-	-	121	-	121
Net loss and comprehensive loss	-	-	-	(791)	(791)
Balance at December 31, 2006	35,350	13,793	3,394	(15,904)	1,283
Issuance of common stock pursuant to exercise of employee stock options	139	47	(9)	-	38
Issuance of shares in connection with purchase business combination	1,500	840	-	-	840
Stock based compensation	-	-	34	-	34
Net loss and comprehensive loss	-	-	-	(557)	(557)
Balance at March 31, 2007	36,989	14,680	3,419	(16,461)	1,638

See accompanying notes to Unaudited Interim Condensed Consolidated Financial Statements

Stockgroup Information Systems Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Thousands of U.S. Dollars)

(Unaudited)

	Three Months Ended March 31,	
	2007	2006
Operating activities:		
Net loss	\$ (557)	\$ (115)
Adjustments to reconcile net loss to net cash provided by operating activities:		