

ONLINE RESOURCES CORP
Form 10-Q
November 08, 2012
[Table of Contents](#)

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, 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 0-26123

ONLINE RESOURCES CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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Delaware
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

52-1623052
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

4795 Meadow Wood Lane

Chantilly, Virginia
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

20151
(ZIP CODE)

(703) 653-3100

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

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 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

As of October 31, 2012 there were 32,889,083 shares of the issuer's common stock outstanding.

Table of Contents

ONLINE RESOURCES CORPORATION

FORM 10-Q

TABLE OF CONTENTS

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1: Condensed Consolidated Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets (unaudited) at September 30, 2012 and December 31, 2011</u>	3
<u>Condensed Consolidated Statements of Operations (unaudited) Three and nine months ended September 30, 2012 and 2011</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) Three and nine months ended September 30, 2012 and 2011 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows (unaudited) Nine months ended September 30, 2012 and 2011</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
<u>Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3: Quantitative and Qualitative Disclosures About Market Risk</u>	34
<u>Item 4: Controls and Procedures</u>	34
<u>PART II OTHER INFORMATION</u>	
<u>Item 1: Legal Proceedings</u>	34
<u>Item 1A: Risk Factors</u>	35
<u>Item 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
<u>Item 3: Defaults Upon Senior Securities</u>	35
<u>Item 4: Mine Safety Disclosures</u>	35
<u>Item 5: Other Information</u>	35
<u>Item 6: Exhibits</u>	36
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32</u>	

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.****ONLINE RESOURCES CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except par values)

	September 30, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,455	\$ 31,290
Accounts receivable (net of allowance of \$658 and \$412, respectively)	19,900	17,596
Deferred tax asset, current portion	2,189	2,189
Deferred implementation costs, current portion	2,474	3,200
Prepaid expenses and other current assets	3,187	2,551
Total current assets	62,205	56,826
Property and equipment, net	18,351	20,987
Deferred tax asset, less current portion	23,590	26,713
Goodwill	181,516	181,516
Intangible assets	6,493	9,288
Deferred implementation costs, less current portion, and other assets	9,193	9,042
Total assets	\$ 301,348	\$ 304,372
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,417	\$ 1,251
Accrued expenses	15,754	17,566
Notes payable, senior secured debt, current portion	11,250	12,750
Deferred revenues, current portion and other current liabilities	8,053	8,412
Total current liabilities	36,474	39,979
Notes payable, senior secured debt, less current portion		7,500
Deferred revenues, less current portion and other long-term liabilities	4,132	4,979
Total liabilities	40,606	52,458
Commitments and contingencies		
Redeemable convertible preferred stock:		
Series A-1 convertible preferred stock, \$0.01 par value; 75 shares authorized and issued at September 30, 2012 and December 31, 2011 (redeemable at the election of the holder on or after July 3, 2013 at \$129,088)	127,765	120,095
Stockholders' equity:		
Series B junior participating preferred stock, \$0.01 par value; 297.5 shares authorized; none issued		
	3	3

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Common stock, \$0.0001 par value; 70,000 shares authorized; 33,393 issued and 32,888 outstanding at September 30, 2012 and 32,719 issued and 32,260 outstanding at December 31, 2011

Additional paid-in capital	223,724	221,519
Accumulated deficit	(87,649)	(86,676)
Accumulated other comprehensive income	51	19
Treasury stock, 505 shares at September 30, 2012 and 459 shares at December 31, 2011	(3,152)	(3,046)
Total stockholders' equity	132,977	131,819
Total liabilities and stockholders' equity	\$ 301,348	\$ 304,372

See accompanying notes to condensed consolidated unaudited financial statements.

Table of Contents**ONLINE RESOURCES CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Unaudited)		(Unaudited)	
Revenues:				
Account presentation services	\$ 2,744	\$ 2,918	\$ 8,548	\$ 8,378
Payment services	29,384	28,082	89,662	85,948
Relationship management services	1,505	1,664	4,565	5,195
Professional services and other	7,661	5,747	20,234	16,497
Total revenues	41,294	38,411	123,009	116,018
Costs and expenses:				
Service costs	20,142	19,920	58,405	60,257
Implementation and other costs	1,549	1,274	3,957	3,703
Costs of revenues	21,691	21,194	62,362	63,960
Gross profit	19,603	17,217	60,647	52,058
General and administrative	8,743	7,966	26,556	27,127
Reserve for potential legal liability				7,700
Sales and marketing	5,001	4,760	14,674	15,165
Systems and development	2,470	2,605	7,849	7,951
Total expenses	16,214	15,331	49,079	57,943
Income (loss) from operations	3,389	1,886	11,568	(5,885)
Other income (expense):				
Interest income	29	21	78	77
Interest expense	(463)	(308)	(1,261)	(376)
Other (expense) income	11	(2)	(16)	(2)
Total other income (expense)	(423)	(289)	(1,199)	(301)
Income (loss) before income tax provision (benefit)	2,966	1,597	10,369	(6,186)
Income tax provision (benefit)	602	771	3,671	(2,383)
Net income (loss)	2,364	826	6,698	(3,803)
Preferred stock accretion	2,590	2,501	7,671	7,389
Net loss available to common stockholders	\$ (226)	\$ (1,675)	\$ (973)	\$ (11,192)

Net loss available to common stockholders per share:

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Basic	\$ (0.01)	\$ (0.05)	\$ (0.03)	\$ (0.35)
Diluted	\$ (0.01)	\$ (0.05)	\$ (0.03)	\$ (0.35)
Shares used in calculation of net loss available to common stockholders per share:				
Basic	32,723	32,032	32,512	31,815
Diluted	32,723	32,032	32,512	31,815

See accompanying notes to condensed consolidated unaudited financial statements.

Table of Contents

ONLINE RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three Months Ended September 30, 2012 2011 (Unaudited)		Nine Months Ended September 30, 2012 2011 (Unaudited)	
Net income (loss)	\$ 2,364	\$ 826	\$ 6,698	\$ (3,803)
Foreign currency translation adjustments	33	(35)	32	(35)