

Bridgeline Digital, Inc.  
Form 10-Q  
August 14, 2018

Table of Contents

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File Number 333-139298*

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**Bridgeline Digital, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**

**52-2263942**

State or other jurisdiction of incorporation or organization IRS Employer Identification No.

**80 Blanchard Road**

**Burlington, Massachusetts**

**01803**

(Address of Principal Executive Offices) (Zip Code)

**(781) 376-5555**

(Registrant's telephone number, including area code)

(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, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company  
(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.

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 Common Stock par value \$0.001 per share, outstanding as of August 10, 2018 was 4,241,225.

1

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Table of Contents

**Bridgeline Digital, Inc.**

**Quarterly Report on Form 10-Q**

**For the Quarterly Period ended June 30, 2018**

**Index**

	Page
<b>Part I</b>	
<b><u>Financial Information</u></b>	
Item 1.	
<u>Condensed Consolidated Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets (unaudited) as of June 30, 2018 and September 30, 2017</u>	4
<u>Condensed Consolidated Statements of Operations (unaudited) for the three and nine months ended June 30, 2018 and 2017</u>	5
<u>Condensed Consolidated Statements of Comprehensive Loss (unaudited) for the three and nine months ended June 30, 2018 and 2017</u>	6
<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the nine months ended June 30, 2018 and 2017</u>	7
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	8
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3.	
<u>Qualitative and Quantitative Disclosures About Market Risk</u>	31
Item 4.	
<u>Controls and Procedures</u>	31
<b>Part II</b>	
<b><u>Other Information</u></b>	
Item 1.	
<u>Legal Proceedings</u>	32
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	32

Item 6.	<u>Exhibits</u>	33
	<u>Signatures</u>	34

Table of Contents

**Bridgeline Digital, Inc.**

**Quarterly Report on Form 10-Q**

**For the Quarterly Period ended June 30, 2018**

*Statements contained in this Report on Form 10-Q that are not based on historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as “should,” “could,” “may,” “will,” “expect,” “believe,” “estimate,” “anticipate,” “intends,” “continue,” or similar terms or variations of those terms or the negative of those terms. These statements appear in a number of places in this Form 10-Q and include statements regarding the intent, belief or current expectations of Bridgeline Digital, Inc. Forward-looking statements are merely our current predictions of future events. Investors are cautioned that any such forward-looking statements are inherently uncertain, are not guaranties of future performance and involve risks and uncertainties. Actual results may differ materially from our predictions. Important factors that could cause actual results to differ from our predictions include the impact of the weakness in the U.S. and international economies on our business, our inability to manage our future growth effectively or profitably, fluctuations in our revenue and quarterly results, our license renewal rate, the impact of competition and our ability to maintain margins or market share, the limited market for our common stock, the volatility of the market price of our common stock, the ability to maintain our listing on the NASDAQ Capital market, the ability to raise capital, the performance of our products, our ability to respond to rapidly evolving technology and customer requirements, our ability to protect our proprietary technology, the security of our software, our dependence on our management team and key personnel, our ability to hire and retain future key personnel, or our ability to maintain an effective system of internal controls. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized, nor is there any assurance that we have identified all possible issues which we might face. We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017 as well as in the other documents that we file with the Securities and Exchange Commission. You can read these documents at [www.sec.gov](http://www.sec.gov).*

Where we say “we,” “us,” “our,” “Company” or “Bridgeline Digital” we mean Bridgeline Digital, Inc.



Table of Contents**PART I—FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements.****BRIDGELINE DIGITAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

(Unaudited)

	<b>June 30,</b>	<b>September</b>
	<b>2018</b>	<b>30,</b>
		<b>2017</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$427	\$ 748
Accounts receivable and unbilled receivables, net	2,103	3,026
Prepaid expenses and other current assets	465	352
Total current assets	2,995	4,126
Property and equipment, net	94	209
Intangible assets, net	49	263
Goodwill	8,026	12,641
Other assets	258	334
Total assets	\$11,422	\$ 17,573
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$1,371	\$ 1,241
Accrued liabilities	636	920
Debt, current portion	198	-
Deferred revenue	841	1,466
Total current liabilities	3,046	3,627
Debt, net of current portion	2,810	2,500
Other long term liabilities	234	172
Total liabilities	6,090	6,299
Commitments and contingencies		
Stockholders' equity:		



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Convertible preferred stock - \$0.001 par value; 1,000,000 shares authorized; 264,000 and 262,364 at June 30, 2018 and 245,172 and 243,536 at September 30, 2017, issued and outstanding (liquidation preference \$2,624, as of June 30, 2018)	-	-
Common stock - \$0.001 par value; 50,000,000 shares authorized; 4,241,225 at June 30, 2018 and 4,200,219 at September 30, 2017, issued and outstanding	5	4
Additional paid-in capital	66,430	65,869
Accumulated deficit	(60,752)	(54,249 )
Accumulated other comprehensive loss	(351 )	(350 )
Total stockholders' equity	5,332	11,274
Total liabilities and stockholders' equity	\$11,422	\$ 17,573

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**BRIDGELINE DIGITAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except share and per share data)

(Unaudited)

	<b>Three Months Ended June 30, 2018</b>		<b>Nine Months Ended June 30, 2017</b>	
Net revenue:				
Digital engagement services	\$1,578	\$2,121	\$5,559	\$6,298
Subscription and perpetual licenses	1,262	1,711	4,367	5,018
Managed service hosting	243	242	839	743
Total net revenue	3,083	4,074	10,765	12,059
Cost of revenue:				
Digital engagement services	977	1,297	3,666	3,569
Subscription and perpetual licenses	510	473	1,503	1,468
Managed service hosting	47	65	213	209
Total cost of revenue	1,534	1,835	5,382	5,246
Gross profit	1,549	2,239	5,383	6,813
Operating expenses:				
Sales and marketing	991	1,193		