

ASURE SOFTWARE INC
Form 10-Q
November 14, 2016

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, 2016

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: 0-20008

ASURE SOFTWARE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-2415696

(I.R.S. Employer
Identification No.)

110 Wild Basin Road, Suite 100

Austin, Texas

(Address of Principal Executive Offices) (Zip Code)

78746

(512) 437-2700

(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

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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 (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer 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 8, 2016, the registrant had outstanding 6,546,380 shares of its Common Stock, \$0.01 par value.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASURE SOFTWARE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 289	\$ 1,158
Accounts and note receivable, net of allowance for doubtful accounts of \$136 and \$145 at September 30, 2016 and December 31, 2015, respectively	6,599	4,671
Inventory	616	784
Prepaid expenses and other current assets	1,441	1,072
Total current assets before funds held for clients	8,945	7,685
Funds held for clients	12,264	-
Total current assets	21,209	7,685
Property and equipment, net	1,764	2,212
Goodwill	26,263	17,436
Intangible assets, net	12,779	6,026
Other assets	42	458
Total assets	\$ 62,057	\$ 33,817
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of notes payable, net of debt issuance cost	\$ 5,099	\$ 909
Accounts payable	2,542	2,670
Accrued compensation and benefits	1,180	715
Other accrued liabilities	1,960	1,181
Deferred revenue	8,905	10,803
Total current liabilities before client fund obligations	19,686	16,278
Client fund obligations	12,264	-
Total current liabilities	31,950	16,278
Long-term liabilities:		
Deferred revenue	844	947
Notes payable, net of debt issuance cost	25,464	12,384
Other liabilities	315	490
Total long-term liabilities	26,623	13,821
Total liabilities	58,573	30,099
Stockholders' equity:		
Preferred stock, \$.01 par value; 1,500 shares authorized; none issued or outstanding	-	-
Common stock, \$.01 par value; 11,000 shares authorized; 6,916 and 6,674 shares issued, 6,532 and 6,290 shares outstanding at September 30, 2016 and December 31, 2015, respectively	69	67
Treasury stock at cost, 384 shares at September 30, 2016 and December 31, 2015	(5,017)	(5,017)
Additional paid-in capital	280,374	279,649

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Accumulated deficit	(272,006)	(270,903)
Accumulated other comprehensive income (loss)	64	(78)
Total stockholders' equity	3,484	3,718
Total liabilities and stockholders' equity	\$ 62,057	\$33,817

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

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ASURE SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Amounts in thousands, except share and per share data)

(Unaudited)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016		FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015	
Revenues:				
Cloud revenue	\$5,630	\$3,413	\$14,881	\$10,201
Hardware revenue	676	835	2,644	2,467
Maintenance and support revenue	1,078	1,434	3,509	4,541
On premise software license revenue	754	241	1,352	728
Professional services revenue	1,302	731	3,440	2,208
Total revenues	9,440	6,654	25,826	20,145
Cost of sales	2,026	1,750	5,932	5,281
Gross margin	7,414	4,904	19,894	14,864
Operating expenses				
Selling, general and administrative	5,046	3,866	14,853	10,926
Research and development	761	786	2,217	2,267
Amortization of intangible assets	625	505	1,628	1,514
Total operating expenses	6,432	5,157	18,698	14,707
Income (loss) from operations	982	(253)	1,196	157
Other income (loss)				
Interest income	-	-	10	-
Loss on lease termination	-	-	-	(110)
Foreign currency gain (loss)	(11)	(5)	(9)	(13)
Loss on debt refinancing	-	(4)	-	(4)
Interest expense and other	(609)	(266)	(1,461)	(828)
Interest expense- amortization of original issue discount (OID)	-	(3)	-	(19)
Acquisition costs	-	-	(706)	-
Total other loss, net	(620)	(278)	(2,166)	(974)
Income (loss) from operations before income taxes	362	(531)	(970)	(817)
Income tax provision	(47)	(43)	(133)	(145)
Net income (loss)	\$315	\$(574)	\$(1,103)	\$(962)
Other comprehensive income (loss)				
Foreign currency gain (loss)	26	27	142	(8)
Other comprehensive income (loss)	\$341	(547)	\$(961)	\$(970)
Basic and diluted net income (loss) per share				
Basic	\$0.05	\$(0.09)	\$(0.17)	\$(0.16)
Diluted	\$0.05	\$(0.09)	\$(0.17)	\$(0.16)
Weighted average basic and diluted shares				

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Basic	6,534,000	6,290,000	6,383,000	6,138,000
Diluted	6,548,000	6,290,000	6,383,000	6,138,000

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

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ASURE SOFTWARE, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Amounts in thousands)
 (Unaudited)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 2015	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(1,103)	\$(962)
Adjustments to reconcile net loss to net cash (used in) provided by operations:		
Depreciation and amortization	2,686	2,324
Provision for doubtful accounts	50	70
Share-based compensation	166	335
Loss on debt financing	-	4
Other	94	28
Changes in operating assets and liabilities:		
Accounts receivable	(1,678)	977
Inventory	169	(530)
Prepaid expenses and other assets	124	(927)
Accounts payable	(189)	542
Accrued expenses and other long-term obligations	951	354
Deferred revenue	(2,000)	(222)
Net cash (used in) provided by operating activities	(730)	1,993
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions net of cash acquired	(12,000)	-
Purchases of property and equipment	(128)	(1,290)
Disposals of property and equipment	-	18
Collection of note receivable	223	-
Net change in funds held for clients	4,155	-
Net cash used in investing activities	(7,750)	(1 272)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	16,823	4,250
Payments on notes payable	(5,173)	(5,527)
Payments on amendment of senior notes payable	-	(75)
Debt financing fees	(438)	-
Payments on capital leases	(158)	(147)
Net proceeds from exercise of stock options	561	585
Net change in client fund obligations	(4,155)	-
Net cash provided by (used in) financing activities		