

VERTICALNET INC
Form 10-Q
November 14, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended September 30, 2003

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 000-25269

VERTICALNET, INC.

(Exact name of Registrant as specified in its charter)

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Pennsylvania
(State or other jurisdiction
of incorporation or organization)

23-2815834
(I.R.S. Employer
Identification No.)

400 Chester Field Parkway
Malvern, Pennsylvania 19355
(Address of principal executive offices)

Registrant's telephone number, including area code:

(610) 240-0600

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

The number of shares outstanding of the registrant's common stock as of November 1, 2003 was 19,367,980.

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VERTICALNET, INC.

FORM 10-Q

For the Quarterly Period Ended September 30, 2003

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Table of Contents**Part I. Financial Information****Item 1. Consolidated Financial Statements****Verticalnet, Inc.****Consolidated Balance Sheets****(in thousands, except per share data)**

		Pro Forma	
	September 30,	September 30,	December
	2003	2003	31,
	(See Notes 1 and 7)		2002
	(Unaudited)	(Unaudited)	
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,217	\$ 5,349	\$ 7,979
Accounts receivable, net of allowance for doubtful accounts of \$0 at September 30, 2003 and \$1,684 at December 31, 2002	1,213	1,213	1,586
Prepaid expenses and other current assets	1,097	1,097	3,892
	<u>6,527</u>	<u>7,659</u>	<u>13,457</u>
Total current assets	6,527	7,659	13,457
Property and equipment, net	239	239	912
Other investments	606	606	606
Intangible assets, net	1,125	1,125	1,800
Other assets	92	92	1,678
	<u>8,589</u>	<u>9,721</u>	<u>18,453</u>
Total assets	\$ 8,589	\$ 9,721	\$ 18,453
Liabilities and Shareholders' Equity			
Current liabilities:			
Current portion of long-term debt and convertible notes	\$ 801	\$ 801	\$ 415
Accounts payable and accrued expenses	3,484	3,029	7,652
Deferred revenues	352	352	279
Other current liabilities	302	153	1,172
	<u>4,939</u>	<u>4,335</u>	<u>9,518</u>
Total current liabilities	4,939	4,335	9,518
Long-term debt and convertible notes			7,293
	<u>4,939</u>	<u>4,335</u>	<u>16,811</u>
Total liabilities	4,939	4,335	16,811
Commitments and contingencies (see Notes 5, 6, and 7)			

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Shareholders' equity:

Preferred stock \$.01 par value, 10,000,000 shares authorized,
none issued at September 30, 2003 and December 31, 2002

Common stock \$.01 par value, 100,000,000 shares authorized,
17,626,106 shares issued at September 30, 2003 (19,426,106
shares pro forma) and 13,708,546 shares issued at December 31,
2002

	176	194	137
Additional paid-in capital	1,182,826	1,184,544	1,170,742
Deferred compensation	(435)	(435)	(239)
Accumulated other comprehensive loss	(698)	(698)	(736)
Accumulated deficit	(1,177,414)	(1,177,414)	(1,167,457)
Treasury stock at cost, 65,636 shares at September 30, 2003 and December 31, 2002	(805)	(805)	(805)
	<u>3,650</u>	<u>5,386</u>	<u>1,642</u>
Total shareholders' equity	3,650	5,386	1,642
	<u>\$ 8,589</u>	<u>\$ 9,721</u>	<u>\$ 18,453</u>
Total liabilities and shareholders' equity	\$ 8,589	\$ 9,721	\$ 18,453

See accompanying notes to consolidated financial statements.

Table of Contents**Verticalnet, Inc.****Consolidated Statements of Operations (Unaudited)**

(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Revenues:				
Software license	\$ 52	\$ 4,421	\$ 326	\$ 15,328
Services and maintenance	1,793	2,163	7,127	5,503
Total revenues	1,845	6,584	7,453	20,831
Cost of revenues:				
Cost of software license	182	193	545	879
Cost of services and maintenance	548	1,275	1,831	4,208
Total cost of revenues	730	1,468	2,376	5,087
Gross profit	1,115	5,116	5,077	15,744
Research and development	916	1,544	2,939	7,901
Sales and marketing	576	1,483	1,841	4,682
General and administrative	1,637	1,260	4,134	7,517
Restructuring and asset impairment charges (reversals)	(180)	28,911	(489)	30,677
Amortization expense				2,112
	2,949	33,198	8,425	52,889
Operating loss	(1,834)	(28,082)	(3,348)	(37,145)
Interest and other expense, net	(5,760)	(4,513)	(6,609)	(11,072)
Loss from continuing operations	(7,594)	(32,595)	(9,957)	(48,217)
Discontinued operations:				
Income from operations of discontinued operations				8,508
Loss on disposal of discontinued operations				(165)
Net loss	(7,594)	(32,595)	(9,957)	(39,874)
Preferred stock dividends and accretion				(3,861)
Repurchase of convertible redeemable preferred stock				101,041
Income (loss) attributable to common shareholders	\$ (7,594)	\$ (32,595)	\$ (9,957)	\$ 57,306
Basic income (loss) per common share:				
Income (loss) from continuing operations	\$ (0.46)	\$ (2.66)	\$ (0.69)	\$ 4.24

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Income from discontinued operations				0.74
Loss on disposal of discontinued operations				(0.01)
Income (loss) per common share	\$ (0.46)	\$ (2.66)	\$ (0.69)	