

Mattersight Corp  
Form 10-Q  
May 09, 2013  
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**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 MARCH 31, 2013**

**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 0-27975**

**Mattersight Corporation**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**36-4304577**  
**(I.R.S. Employer**  
**Identification No.)**

**200 S. Wacker Drive**

**Suite 820**

**Chicago, Illinois 60606**

**(Address of Registrant's Principal Executive Offices) (Zip Code)**

**(877) 235-6925**

**(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 Section 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 (Section 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, 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

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 the registrant's Common Stock outstanding as of April 29, 2013 was 17,132,750.

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**Table of Contents****Part I. Financial Information****Item 1. Financial Statements****MATTERSIGHT CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited and in thousands, except share and per share data)**

	March 31, 2013	December 31, 2012
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$ 12,480	\$ 14,419
Receivables (net of allowances of \$12 and \$12)	3,182	2,568
Prepaid expenses	4,408	4,359
Other current assets	351	305
<b>Total current assets</b>	<b>20,421</b>	<b>21,651</b>
Equipment and leasehold improvements, net	4,805	4,727
Goodwill	972	972
Intangibles, net	249	236
Other long-term assets	3,688	3,776
<b>Total assets</b>	<b>\$ 30,135</b>	<b>\$ 31,362</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
Current Liabilities:		
Short-term debt	\$ 3,703	\$ 3,703
Accounts payable	1,270	781
Accrued compensation and related costs	1,188	1,335
Unearned revenue	7,310	5,853
Other current liabilities	2,720	2,889
<b>Total current liabilities</b>	<b>16,191</b>	<b>14,561</b>
Long-term unearned revenue	1,881	2,374
Other long-term liabilities	1,492	1,231
<b>Total liabilities</b>	<b>19,564</b>	<b>18,166</b>
Series B Stock, \$0.01 par value; 5,000,000 shares authorized and designated; 1,649,078 and 1,649,201 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively, with a liquidation preference of \$8,852 and \$8,705 at March 31, 2013 and December 31, 2012, respectively		
	8,410	8,411
Stockholders Equity:		
Preferred Stock, \$0.01 par value; 35,000,000 shares authorized; none issued and outstanding		
Common Stock, \$0.01 par value; 50,000,000 shares authorized; 18,467,254 and 18,407,848 shares issued at March 31, 2013 and December 31, 2012, respectively; and 17,131,550 and 17,114,880 outstanding at March 31, 2013 and December 31, 2012, respectively		
	185	184
Additional paid-in capital	217,918	216,667
Accumulated deficit	(204,673)	(201,000)
Treasury stock, at cost, 1,335,704 and 1,292,968 shares at March 31, 2013 and December 31, 2012, respectively		
	(7,222)	(7,027)
Accumulated other comprehensive loss	(4,047)	(4,039)

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Total stockholders' equity	2,161	4,785
Total liabilities and stockholders' equity	\$ 30,135	\$ 31,362

See accompanying notes to the Condensed Consolidated Financial Statements.

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**MATTERSIGHT CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited and in thousands, except per share data)

	For the Three Months Ended March 31,	
	2013	2012
<b>Revenue:</b>		
Behavioral Analytics revenue	\$ 8,194	\$ 8,556
Other revenue	322	345
<b>Total services revenue</b>	<b>8,516</b>	<b>8,901</b>
Reimbursed expenses	82	98
<b>Total revenue</b>	<b>8,598</b>	<b>8,999</b>
<b>Operating expenses:</b>		
Cost of Behavioral Analytics revenue	2,723	3,188
Cost of other revenue	156	204
<b>Cost of services</b>	<b>2,879</b>	<b>3,392</b>
Reimbursed expenses	82	98
<b>Total cost of revenue, exclusive of depreciation and amortization shown below:</b>	<b>2,961</b>	<b>3,490</b>
Sales, marketing and development	6,230	5,184
General and administrative	2,271	1,956
Severance and related costs		679
Depreciation and amortization	966	867
<b>Total operating expenses</b>	<b>12,428</b>	<b>12,176</b>
<b>Operating loss</b>	<b>(3,830)</b>	<b>(3,177)</b>
Interest and other expense, net	(91)	(102)
<b>Loss from continuing operations before income taxes</b>	<b>(3,921)</b>	<b>(3,279)</b>
Income tax benefit (provision)	248	(10)
<b>Loss from continuing operations</b>	<b>(3,673)</b>	<b>(3,289)</b>
Loss from discontinued operations, net of tax		(81)
<b>Net loss</b>	<b>(3,673)</b>	<b>(3,370)</b>
Dividends related to Series B Stock	(147)	(149)
<b>Net loss available to Common Stock holders</b>	<b>\$ (3,820)</b>	<b>\$ (3,519)</b>
<b>Per share of Common Stock:</b>		
Basic loss from continuing operations	\$ (0.23)	\$ (0.22)
Basic loss from discontinued operations	\$	\$ (0.01)
<b>Basic net loss available to Common Stock holders</b>	<b>\$ (0.23)</b>	<b>\$ (0.22)</b>

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<b>Per share of Common Stock:</b>		
Diluted loss from continuing operations	\$ (0.23)	\$ (0.22)
Diluted loss from discontinued operations	\$	\$ (0.01)
Diluted net loss available to Common Stock holders	\$ (0.23)	\$ (0.22)
Shares used to calculate basic net loss per share	16,320	15,750
Shares used to calculate diluted net loss per share	16,320	15,750
<b>Stock-based compensation, primarily restricted stock, is included in individual line items above:</b>		
Cost of Behavioral Analytics revenue	\$ 4	\$ 6
Sales, marketing and development	849	697
General and administrative	518	400
Severance and related costs		268

See accompanying notes to the Condensed Consolidated Financial Statements.

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**MATTERSIGHT CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Unaudited and in thousands)**

	<b>For the Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net loss	\$ (3,673)	\$ (3,370)
Other comprehensive loss:		
Effect of currency translation	(8)	5
Comprehensive net loss	\$ (3,681)	\$ (3,365)

See accompanying notes to the Condensed Consolidated Financial Statements.

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**MATTERSIGHT CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited and in thousands)

	For the Three Months Ended March 31,	
	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (3,673)	\$ (3,370)
Less: net loss from discontinued operations		(81)
Net loss from continuing operations	(3,673)	(3,289)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	966	867
Stock-based compensation	1,371	1,103
Severance and related costs		268
Other		(2)
Changes in assets and liabilities:		
Receivables	(614)	474
Prepaid expenses	30	196
Other assets	(38)	(63)
Accounts payable	489	(155)
Accrued compensation and related costs	(147)	328
Unearned revenue	964	(1,292)
Other liabilities	(215)	(198)
Total Adjustments	2,806	1,526
Net cash used in continuing operations	(867)	(1,763)
Net cash used in discontinued operations		(31)
Net cash used in operating activities	(867)	(1,794)
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures and other	(272)	(156)
Net cash used in continuing investing activities	(272)	(156)