

Quotient Technology Inc.  
Form 10-Q  
November 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 2015

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: 001-36331

Quotient Technology Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

77-0485123  
(I.R.S. Employer  
Identification No.)

400 Logue Avenue, Mountain View, California  
(Address of Principal Executive Offices)

94043  
(Zip Code)

(650) 605-4600

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(Registrant's Telephone Number, Including Area Code)

Coupons.com Incorporated

(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 checkmark 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 time 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 definition 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

As of November 6, 2015, the registrant had 89,452,684 shares of common stock outstanding.

QUOTIENT TECHNOLOGY INC.

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FOR THE QUARTER ENDED September 30, 2015

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements.

## QUOTIENT TECHNOLOGY INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	September 30,	December 31,
	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 189,988	\$ 201,075
Accounts receivable, net of allowance for doubtful accounts of \$302 and \$408 at September 30, 2015 and December 31, 2014, respectively	53,299	51,061
Prefunded coupons cash deposits	626	740
Deferred tax assets	410	457
Prepaid expenses and other current assets	5,494	2,972
Total current assets	249,817	256,305
Property and equipment, net	26,451	25,399
Intangible assets, net	9,839	11,818
Goodwill	29,262	29,277
Other assets	8,876	9,008
Total assets	\$ 324,245	\$ 331,807
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 9,461	\$ 6,358
Accrued compensation and benefits	11,560	14,861
Other current liabilities	17,779	15,790
Prefunded coupons cash obligations	626	740
Deferred revenues	7,392	6,219
Debt obligation	—	7,500
Total current liabilities	46,818	51,468
Other non-current liabilities	18	89
Deferred rent	683	738
Deferred tax liabilities	2,121	2,624
Total liabilities	49,640	54,919
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.00001 par value—10,000,000 shares authorized and no shares	—	—

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issued or outstanding at September 30, 2015 and December 31, 2014

Common stock, \$0.00001 par value—250,000,000 shares authorized; 89,042,758

shares issued and 83,232,918 outstanding at September 30, 2015; 86,224,920

shares issued and 81,380,014 outstanding at December 31, 2014

	1	1
Additional paid-in capital	561,187	531,018
Treasury stock, at cost	(71,176 )	(61,935 )
Accumulated other comprehensive loss	(51 )	(1 )
Accumulated deficit	(215,356 )	(192,195 )
Total stockholders' equity	274,605	276,888
Total liabilities and stockholders' equity	\$ 324,245	\$ 331,807

See Accompanying Notes to Condensed Consolidated Financial Statements

## QUOTIENT TECHNOLOGY INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Revenues	\$56,467	\$58,544	\$167,896	\$161,760
Costs and expenses:				
Cost of revenues	22,778	23,061	66,767	64,464
Sales and marketing	23,403	19,047	66,321	56,179
Research and development	11,890	11,351	36,671	38,599
General and administrative	8,382	7,400	24,740	25,307
Change in fair value of contingent consideration	(238 )	(2,806 )	1,484	(2,806 )
Total costs and expenses	66,215	58,053	195,983	181,743
Income (loss) from operations	(9,748 )	491	(28,087 )	(19,983 )
Interest expense	(126 )	(241 )	(288 )	(843 )
Gain on sale of a right to use a web domain name	—	—	4,800	—
Other income (expense), net	47	19	26	(88 )
Income (loss) before income taxes	(9,827 )	269	(23,549 )	(20,914 )
Provision for (benefit from) income taxes	(9 )	1,051	(388 )	807
Net loss	\$(9,818 )	\$(782 )	\$(23,161 )	\$(21,721 )
Net loss per share attributable to common stockholders, basic				
and diluted	\$(0.12 )	\$(0.01 )	\$(0.28 )	\$(0.34 )
Weighted-average number of common shares used in computing				
net loss per share attributable to common stockholders, basic				
and diluted	82,831	78,065	83,335	63,542

See Accompanying Notes to Condensed Consolidated Financial Statements

QUOTIENT TECHNOLOGY INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net loss	\$ (9,818)	\$ (782)	\$ (23,161)	\$ (21,721)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(67 )	(47 )	(50 )	(2 )
Comprehensive loss	\$ (9,885)	\$ (829)	\$ (23,211)	\$ (21,723)

See Accompanying Notes to Condensed Consolidated Financial Statements



## QUOTIENT TECHNOLOGY INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	September 30,	2014
	2015	2014
<b>Cash flows from operating activities:</b>		
Net loss	\$(23,161 )	\$(21,721 )
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Depreciation and amortization	11,879	10,778
Stock-based compensation	25,513	27,727
Accretion of debt discount	—	116
Amortization of debt issuance costs	134	57
Loss on disposal of property and equipment	2	9
Gain on sale of a right to use a web domain name	(4,800 )	—
Allowance for doubtful accounts	46	138
Deferred income taxes	(456 )	807
Change in fair value of contingent consideration	1,484	(2,806 )
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(2,295 )	(5,390 )
Prepaid expenses and other current assets	(2,790 )	(4,653 )
Accounts payable and other current liabilities	2,056	1,729
Accrued compensation and benefits	(3,279 )	(1,068 )
Deferred revenues	1,190	358
Other	5	(742 )
Net cash provided by operating activities	5,528	5,339
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(9,406 )	(6,621 )
Acquisitions, net of acquired cash	—	(11,641 )
Purchase of intangible assets	(283 )	(37 )
Proceeds from sale of a right to use a web domain name	4,800	—
Net cash used in investing activities	(4,889 )	(18,299 )
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	4,656	4,083
Repurchases of common stock	(8,852 )	—
Proceeds from initial public offering, net of offering costs	—	176,525
Exercise of warrant	—	1,610
Repayment of debt obligations, related party	—	(15,000 )
Repayment of debt obligations	(7,500 )	—
Principal payments on capital lease obligations	(46 )	(43 )
Net cash (used in) provided by financing activities	(11,742 )	167,175

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Effect of exchange rates on cash and cash equivalents	16	10
Net (decrease) increase in cash and cash equivalents	(11,087 )	154,225
Cash and cash equivalents at beginning of period	201,075	38,972
Cash and cash equivalents at end of period	\$ 189,988	\$ 193,197

See Accompanying Notes to Condensed Consolidated Financial Statements

QUOTIENT TECHNOLOGY INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

Quotient Technology Inc., formerly known as Coupons.com Incorporated (the “Company”) connects great brands and retailers with consumers by delivering digital promotions and media to consumers. The Company’s new name, which became effective October 20, 2015, is designed to better reflect the breadth and sophistication of the Company’s business offerings, and its efforts to be a leader in the digital transformation of the promotions industry. The company stock now trades under the ticker symbol QUOT, reflecting the full corporate name, Quotient Technology Inc. Many brands from leading consumer packaged goods companies (“CPGs”) and many of the leading grocery, drug, dollar channel, club and mass merchandise retailers use the Company’s digital platform to engage consumers at the critical moments when they are choosing which products they will buy and where they will shop. The Company delivers digital coupons, including coupon codes, and media through its platform. The Company’s platform includes web, mobile and social channels, as well as those of the Company’s CPGs, retailers and its extensive network of publishers that display the Company’s coupon and media offerings on their websites and mobile applications. Consumers select coupons by either printing them for physical redemption at retailers or saving them to retailer loyalty accounts for automatic digital redemption.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

The Company’s condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year ending December 31, 2015 or for any other period.

There have been no changes to the Company’s significant accounting policies described in the Annual Report on Form 10-K that have had a material impact on its condensed consolidated financial statements and related notes.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period.

Actual results may differ from the Company's estimates, and such differences may be material to the accompanying condensed consolidated financial statements.

#### Reclassifications

Certain prior period financial statement amounts have been reclassified to conform to current period presentation.

#### Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09—Revenue from Contracts with Customers (Topic 606), and in August 2015, the FASB issued ASU 2015-14 – Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date which defers the effective date of ASU 2014-09 amended the existing accounting standards to achieve consistent application of revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or

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services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the standard requires reporting companies to also disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB agreed to delay the effective date of this amendment by one year, accordingly, the Company is required to adopt the amendments in the first quarter of 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Early adoption is permitted, but not before the original effective date of the amendment.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 eliminates the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected measurement or recognition of amounts initially recognized. As an alternative, the amendment requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, accordingly, the Company is required to adopt the amendment in the first quarter of 2016. Early adoption is permitted.

The Company is currently evaluating the impact of these amendments.

### 3. Fair Value Measurements

The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

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The Company's fair value hierarchy for its financial assets and liabilities that are measured at fair value on a recurring basis are as follows (in thousands):

	September 30, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Money market funds <sup>(1)</sup>	\$ 14,940	\$ —	\$ —	\$ 14,940
<b>Total</b>	<b>\$ 14,940</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 14,940</b>
<b>Liabilities:</b>				
Contingent consideration <sup>(2)</sup>	\$ —	\$ —	\$ 2,532	\$ 2,532
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,532</b>	<b>\$ 2,532</b>

December 31, 2014  
Level 1    Level 2    Level 3