

Qumu Corp
Form 10-Q/A
May 29, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q/A
Amendment No. 1

(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, 2018; 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: 000-20728

QUMU CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

510 1st Avenue North, Suite 305, Minneapolis, MN 55403

(Address of principal executive offices)

(612) 638-9100

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

Large accelerated filer

Accelerated filer

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

Common Stock outstanding at May 11, 2018 – 9,527,797 shares of \$.01 par value Common Stock.

EXPLANATORY NOTE

Qumu Corporation is filing this Amendment No. 1 on Form 10-Q/A ("Amendment") to amend its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, as filed with the Securities and Exchange Commission on May 15, 2018 (the "Form 10-Q"). The sole purpose of this Amendment is to correct a summation error in the Extensible Business Reporting Language ("XBRL") information filed on Exhibit 101 to the Form 10-Q.

No changes have been made in this Amendment to modify or update the disclosures presented in the Form 10-Q except as noted above. This Amendment does not reflect events occurring after the filing of the Form 10-Q or modify or update any disclosures in the Form 10-Q that may be affected by such events.

QUMU CORPORATION
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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

QUMU CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share data)

	March 31, 2018	December 31, 2017
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,558	\$ 7,690
Receivables, net of allowance for doubtful accounts of \$22 and \$21, respectively	3,973	5,529
Contract assets	536	—
Income tax receivable	218	156
Prepaid expenses and other current assets	2,186	1,830
Total current assets	13,471	15,205
Property and equipment, net of accumulated depreciation of \$4,855 and \$4,678, respectively	743	911
Intangible assets, net	5,877	6,295
Goodwill	7,681	7,390
Deferred income taxes, non-current	74	77
Other assets, non-current	4,258	4,398
Total assets	\$ 32,104	\$ 34,276
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 3,170	\$ 3,878
Accrued compensation	1,834	1,824
Deferred revenue	9,128	8,923
Deferred rent	136	181
Financing obligations	152	1,047
Warrant liability	2,608	819
Total current liabilities	17,028	16,672
Long-term liabilities:		
Deferred revenue, non-current	165	141
Income taxes payable, non-current	—	3
Deferred tax liability, non-current	120	153
Deferred rent, non-current	476	507
Financing obligations, non-current	—	3
Term loan, non-current	7,667	7,605
Other non-current liabilities	238	—
Total long-term liabilities	8,666	8,412
Total liabilities	25,694	25,084
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 250,000 shares, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, authorized 29,750,000 shares, issued and outstanding 9,377,797 and 9,364,804, respectively	94	94
Additional paid-in capital	68,226	68,035

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Accumulated deficit	(59,788)	(56,197)
Accumulated other comprehensive loss	(2,122)	(2,740)
Total stockholders' equity	6,410		9,192	
Total liabilities and stockholders' equity	\$ 32,104		\$ 34,276	

See accompanying notes to unaudited condensed consolidated financial statements.

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QUMU CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(unaudited - in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Software licenses and appliances	\$451	\$1,220
Service	4,380	5,491
Total revenues	4,831	6,711
Cost of revenues:		
Software licenses and appliances	335	494
Service	1,777	2,090
Total cost of revenues	2,112	2,584
Gross profit	2,719	4,127
Operating expenses:		
Research and development	1,903	2,109
Sales and marketing	2,180	2,451
General and administrative	2,181	2,460
Amortization of purchased intangibles	229	223
Total operating expenses	6,493	7,243
Operating loss	(3,774)	(3,116)
Other income (expense):		
Interest expense, net	(844)	(317)
Change in fair value of warrant liability	387	(78)
Other, net	(387)	(55)
Total other expense, net	(844)	(450)
Loss before income taxes	(4,618)	(3,566)
Income tax benefit	(88)	(4)
Net loss	\$(4,530)	\$(3,562)

Net loss per share – basic and diluted:

Net loss per share \$(0.48) \$(0.39)

Weighted average shares outstanding 9,370 9,245

See accompanying notes to unaudited condensed consolidated financial statements.

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QUMU CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited - in thousands)

	Three Months Ended March 31,	
	2018	2017
Net loss	\$(4,530)	\$(3,562)
Other comprehensive income:		
Net change in foreign currency translation adjustments	623	137
Total other comprehensive income	623	137
Total comprehensive loss	\$(3,907)	\$(3,425)

See accompanying notes to unaudited condensed consolidated financial statements.

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QUMU CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited - in thousands)

	Three Months Ended March 31,	
	2018	2017
Operating activities:		
Net loss	\$(4,530)	\$(3,562)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	699	774
Stock-based compensation	210	413
Accretion of debt discount and issuance costs	746	111
Change in fair value of warrant liability	(387)	78
Deferred income taxes	(37)	(33)
Changes in operating assets and liabilities:		
Receivables	1,645	2,896
Contract assets	14	—
Income taxes receivable / payable	(62)	148
Prepaid expenses and other assets	(317)	(23)
Accounts payable and other accrued liabilities	(444)	(367)
Accrued compensation	—	(245)
Deferred revenue	603	178
Deferred rent	(75)	(75)
Other non-current liabilities	186	—
Net cash provided by (used in) operating activities	(1,749)	293
Investing activities:		
Purchases of property and equipment	(2)	(14)
Net cash used in investing activities	(2)	(14)
Financing activities:		
Proceeds from term loan and warrant issuance	10,000	—
Principal payments on term loan	(8,000)	—
Payments for term loan and warrant issuance costs	(1,308)	(125)
Principal payments on financing obligations	(99)	(125)
Common stock repurchases to settle employee withholding liability	(19)	—
Net cash provided by (used in) financing activities	574	(250)
Effect of exchange rate changes on cash	45	18
Net increase (decrease) in cash and cash equivalents	(1,132)	47
Cash and cash equivalents, beginning of period	7,690	10,364
Cash and cash equivalents, end of period	\$6,558	\$10,411
Supplemental disclosures of net cash paid (received) during the period:		
Income taxes, net	\$6	\$(125)
Interest, net	\$33	\$208

See accompanying notes to unaudited condensed consolidated financial statements.

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QUMU CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Nature of Business and Basis of Presentation

Qumu Corporation (the "Company") provides the software applications businesses use to create, manage, secure, deliver and measure the success of their videos. The Company's innovative solutions release the power in video to engage and empower employees, partners and clients, allowing organizations around the world to realize the greatest possible value from video they create and publish. Whatever the audience size, viewer device or network configuration, the Company's solutions are how business does video.

The Company views its operations and manages its business as one segment and one reporting unit. Factors used to identify the Company's single operating segment and reporting unit include the financial information available for evaluation by the chief operating decision maker in making decisions about how to allocate resources and assess performance. The Company manages the marketing of its products and services through regional sales representatives and independent distributors in the United States and international markets.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Pursuant to such rules and regulations, certain financial information and footnote disclosures normally included in a complete set of financial statements have been condensed or omitted. However, in the opinion of management, the financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position and results of operations and cash flows of the interim periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2017. The Company has continued to experience recurring operating losses and negative cash flows from operating activities. The ability of the Company to continue as a going concern is dependent upon the Company maintaining compliance with its term loan covenants beginning September 30, 2018. If an event of default occurs due to the Company not maintaining compliance with its covenants, the lender may accelerate the repayment of outstanding principal, which could negatively impact the Company's ability to fund its working capital requirements, capital expenditures and general corporate expenses. On January 12, 2018, the Company replaced its credit agreement, as described in Note 4—"Commitments and Contingencies," and is projecting future compliance with its covenants under its current operating plan.

Recently Adopted Accounting Standards

Revenue from Contracts with Customers

On January 1, 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and the related amendments ("Topic 606") using the modified retrospective transition method. Under this method, the Company evaluated contracts that were in effect at the beginning of fiscal 2018 as if those contracts had been accounted for under Topic 606. The Company did not evaluate individual modifications for those periods prior to the adoption date, but the aggregate effect of all modifications as of the adoption date and such effects are provided below. Under the modified retrospective transition approach, periods prior to the adoption date were not adjusted and continue to be reported in accordance with historical, pre-Topic 606 accounting. A cumulative catch up adjustment was recorded to beginning accumulated deficit to reflect the impact of all existing arrangements under Topic 606.

At the adoption date, the Company adjusted accumulated deficit by \$939,000 primarily driven by uncompleted contracts for which revenue will not be recognized in future periods under Topic 606, partially offset by the incremental originating costs

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associated with those contracts. The cumulative effect of the changes made to our January 1, 2018 condensed consolidated balance sheet from the modified retrospective adoption of Topic 606 was as follows (in thousands):

	December 31, 2017	Adjustments	January 1, 2018
Assets:			
Contract assets	\$ —	\$ 550	\$ 550
Prepaid expenses and other current assets	1,830	(99)	1,731
Other assets, non-current	4,398	(10)	4,388
Liabilities:			
Deferred revenue	8,923	(493)	8,430
Deferred revenue, non-current	141	—	141
Stockholders' equity:			
Accumulated deficit	(56,197)	939	(55,258)
Accumulated other comprehensive loss	(2,740)	(5)	(2,745)

The most significant impact of the adoption of Topic 606 was on the Company's term software licenses that, under the Company's previous revenue accounting ("Topic 605"), would have continued to be recognized into revenue ratably in 2018 and beyond. However, under Topic 606 the standalone selling price attributable to the license is recognized upon transfer of control resulting in up-front recognition, typically upon fulfillment. The timing of revenue recognition for perpetual software licenses, hardware, and professional services is expected to remain substantially unchanged. See Note 2—"Revenue" for the Company's revenue recognition policy after the adoption of Topic 606.

Revenue generated under Topic 606 is expected to be approximately \$1.1 million lower than revenue would have been under Topic 605 for the year ending December 31, 2018. The following table summarizes the effects of adopting Topic 606 on the Company's condensed consolidated statement of operations and comprehensive loss for the three months ended March 31, 2018:

	Three Months Ended March 31, 2018		
	As reported under Topic 606	Adjustments	Balances without adoption of Topic 606
Revenues	\$4,831	\$ 184	\$ 5,015
Cost of revenues	2,112	8	2,120
Sales and marketing	2,180	24	2,204
Net loss	(4,530)	152	(4,378)
Net change in foreign currency translation adjustments	623	(4)	619
Total comprehensive loss	(3,907)	148	(3,759)

The following table summarizes the effects of adopting Topic 606 on the Company's condensed consolidated balance sheet as of March 31, 2018:

March 31, 2018

As
reported
under
Topic
606

Adjustments