

STAMPS.COM INC
Form 10-Q
November 09, 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: 000-26427

Stamps.com Inc.
(Exact name of registrant as specified in its charter)

Delaware 77-0454966
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1990 E. Grand Avenue
El Segundo, California 90245
(Address of principal executive offices, including zip code)

(310) 482-5800
(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 (§ 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

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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 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

As of October 31, 2016, there were 17,052,401 shares of the Registrant’s Common Stock issued and outstanding.

STAMPS.COM INC. AND SUBSIDIARIES
FORM 10-Q QUARTERLY REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STAMPS.COM INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 81,144	\$ 65,126
Short-term investments	3,029	8,553
Accounts receivable, net	60,089	55,052
Other current assets	9,595	8,345
Total current assets	153,857	137,076
Property and equipment, net	32,032	31,707
Goodwill	239,532	197,807
Intangible assets, net	101,046	95,950
Long-term investments	—	1,529
Deferred income taxes, net.	38,841	57,224
Other assets	7,829	7,321
Total assets	\$ 573,137	\$ 528,614
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 70,710	\$ 60,816
Deferred revenue	6,175	4,000
Current portion of debt, net of debt issuance costs	5,814	4,267
Contingent consideration	—	63,209
Total current liabilities	82,699	132,292
Long-term debt, net of debt issuance costs	142,993	157,353
Total liabilities	225,692	289,645
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.001 par value per share		
Authorized shares: 47,500 in 2016 and 2015		
Issued shares: 30,425 in 2016 and 29,463 in 2015		
Outstanding shares: 17,131 in 2016 and 16,697 in 2015	53	52
Additional paid-in capital	825,941	716,253
Treasury stock, at cost, 13,294 shares in 2016 and 12,766 in 2015	(219,821)	(172,410)
Accumulated deficit	(258,743)	(304,944)
Accumulated other comprehensive income	15	18
Total stockholders' equity	347,445	238,969
Total liabilities and stockholders' equity	\$ 573,137	\$ 528,614

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

Table of ContentsSTAMPS.COM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	2015
	2016	2015	2016	
Revenues:				
Service	\$ 78,871	\$ 42,470	\$ 220,567	\$ 118,497
Product	4,703	4,193	15,109	13,206
Insurance	4,050	2,513	12,643	7,806
Customized postage	4,912	2,484	10,016	4,545
Other	23	9	74	27
Total revenues	92,559	51,669	258,409	144,081
Cost of revenues (exclusive of amortization of intangible assets, which is included in general and administrative expense):				
Service	9,903	6,809	28,054	19,775
Product	1,579	1,364	5,019	4,400
Insurance	1,291	896	3,920	2,746
Customized postage	3,954	2,120	8,076	3,831
Total cost of revenues	16,727	11,189	45,069	30,752
Gross profit	75,832	40,480	213,340	113,329
Operating expenses:				
Sales and marketing	18,229	11,341	59,708	37,898
Research and development	9,111	4,758	25,579	13,720
General and administrative	16,901	9,470	49,276	30,004

Contingent consideration charges — 1,920

	Net Appreciation in Fair Value of Investments	Interest and Dividends	Net Investment Income	Shares in Net Investment Income
American Beacon Funds Large Cap Value Institutional	\$ 47,499	\$ 250,621	\$ 298,120	61.5%
American Beacon Funds Small Cap Value Institutional	(151,824)	247,093	95,269	87.9%
Baron Small Cap Institutional	(49,270)	68,004	18,734	106.0%
Brokerage Link CBA	(9,566)	77,104	67,538	99.4%
Aggressive Growth 1	149,835	27,001	176,836	68.5%
Eagle Materials Inc. Common Stock	(1,190)		(1,190)	1530.8%
Fidelity Freedom 2000	(22,249)	168,127	145,878	39.8%
Fidelity Freedom 2010 Fund	49,621	300,898	350,519	83.8%
Fidelity Freedom 2020 Fund	(229,446)	982,873	753,427	75.2%
Fidelity Freedom 2030 Fund	(102,465)	623,489	521,024	63.9%
Fidelity Freedom 2040 Fund	(111,203)	471,160	359,957	59.4%
Fidelity Freedom 2050 Fund	(510)	2,497	1,987	77.6%
Fidelity Freedom Income Fund	(61,233)	114,351	53,118	57.4%
Fidelity Low-Priced Stock Fund	103,704	355,114	458,818	80.5%
Fidelity Managed Income		34,187	34,187	76.4%

Portfolio Fund				
Fidelity				
Retirement				
Money Market		132	132	92.4%
Harbor				
International				
Administration	(241,030)	41,126	(199,904)	81.2%
JPMorgan Mid				
Cap Growth				
Select	29,481	363,679	393,160	69.7%
Mainstay Large				
Capital Growth				
1	(7,590)	44,959	37,369	79.7%
Spartan 500				
Index				
Institution	860,806	175,434	1,036,240	77.1%
Spartan				
Extended				
Market Index				
Fund Inv	83,056	100,487	183,543	80.1%
Spartan				
International				
Index Inv	(21,615)	7,366	(14,249)	83.9%
Spartan U.S.				
Bond Index Inv	99,137	80,433	179,570	73.8%
Vanguard				
Inflation				
Protected				
Securities	16,980	18,306	35,286	83.4%
	\$ 430,928	\$ 4,554,441	\$ 4,985,369	71.5%

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

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PROFIT SHARING AND RETIREMENT PLAN OF EAGLE
MATERIALS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 4. INCOME TAX STATUS

The Plan has received a determination letter from the IRS dated July 21, 2010, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. On April 28, 2015, the Plan received an updated determination letter from the IRS stating that the Plan is qualified under Section 401(a) of the Code reaffirming that the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification.

The Plan had no significant uncertain tax positions for the year ended December 31, 2014. The Plan's Annual Return/Report of Employee Benefit Plan is subject to examination by the Internal Revenue Service for three years from the date of filing.

**NOTE 5. RELATED PARTY TRANSACTIONS AND
PARTY-IN-INTEREST TRANSACTIONS**

Certain Plan investments are shares of mutual funds and a common/collective trust managed by the Trustee. The Trustee is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees incurred by the Plan for the investment management services are included as a reduction of the return earned on each fund.

The Trustee provides certain administrative services to the Plan pursuant to an agreement between the Company and the Trustee. The Trustee receives revenue from mutual fund and common/collective trust service providers for services the Trustee provides to the funds. This revenue is used to offset certain amounts owed to the Trustee for its administrative services to the Plan.

If the revenue received by the Trustee from such mutual fund or common/collective trust fund service providers exceeds the amount owed under the agreement between the Trustee and the

Company, the Trustee remits the excess to the Plan's trust. Such amounts may be applied to pay Plan administrative expenses.

The Plan invests in common stock of Eagle Materials Inc. (Eagle Common Stock). During the year ended December 31, 2014, the Plan purchased and sold shares of Eagle Common Stock for \$387,635 and \$444,680, respectively, and experienced net depreciation of approximately \$18,207. During the year ended December 31, 2013, the Plan purchased and sold shares of Eagle Common Stock for \$296,407 and sold and \$171,207, respectively, and experienced net appreciation of approximately \$1,715,849.

Table of ContentsPROFIT SHARING AND RETIREMENT PLAN OF EAGLE
MATERIALS INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**NOTE 6. RECONCILIATION OF FINANCIAL STATEMENTS
TO FORM 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31, 2014	December 31, 2013
Net assets available for benefits per the financial statements	\$ 75,174,728	\$ 68,175,868
Employers contributions receivable	(4,204,924)	(3,932,247)
Excess contributions payable		38,617
Adjustment from contract value to fair value for fully benefit-responsive investment contracts held by a common/collective trust	39,645	38,886
Net assets available for benefits per Form 5500	\$ 71,009,449	\$ 64,321,124

The Form 5500 has certain income and expense items that differ from amounts shown on the accompanying financial statements. These differences relate to classification only and have no effect upon the net assets available for benefits as of December 31, 2014 or 2013.

NOTE 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the financial statements were issued and all necessary disclosures have been included.

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SUPPLEMENTAL SCHEDULE

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**PROFIT SHARING AND RETIREMENT PLAN OF
EAGLE MATERIALS INC.**

**SCHEDULE H; LINE 4i SCHEDULE OF ASSETS (HELD
AT END OF YEAR)**

EIN#: 75-2520779

PLAN #: 002

DECEMBER 31, 2014

		(c)		
		Description of Investment,		
		Including Maturity Date,		
		Rate of Interest, Collateral,		
(b)		Identity of Issue, Borrower,	(d)	(e)
(a)	Lessor, or Similar Party	Par, or Maturity Value	Cost	Current Value
*	Fidelity Investments	Plan interest in Master Trust	\$	\$ 69,685,276
*	Participants	Loans with interest rates from 5.25% to 9%, and maturities ranging from six months to five years	\$	\$ 1,324,173

*Party-in-interest.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee which administers the Profit Sharing and Retirement Plan of Eagle Materials Inc. has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PROFIT SHARING AND
RETIREMENT PLAN OF
EAGLE MATERIALS INC.**

Date: June 26, 2015

By: /s/ David B. Powers
David B. Powers

Chairman, Administrative
Committee

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INDEX TO EXHIBIT

Profit Sharing and Retirement Plan of Eagle Materials Inc.

Exhibit	Filed Herewith or
Number	Incorporated by Reference
23	Consent of Sutton Frost Cary LLP Filed Herewith