

# COMMERCEHUB, INC.

## FORM 8-K (Current report filing)

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Address	201 FULLER ROAD, 6TH FLOOR ALBANY, NY 12203
Telephone	518-810-0700
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Symbol	CHUBA
SIC Code	7372 - Prepackaged Software
Industry	Software
Sector	Technology
Fiscal Year	12/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

Date of Report (date of earliest event reported): **May 8, 2017**

**COMMERCEHUB, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**001-37840**

(Commission  
File Number)

**81-1001640**

(I.R.S. Employer  
Identification No.)

**201 Fuller Road, 6th Floor  
Albany, New York 12203**

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(518) 810-0700**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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.

**Item 2.02. Results of Operations and Financial Condition**

On May 8, 2017, CommerceHub, Inc. (the “Company”) issued a press release (the “Earnings Release”) disclosing information regarding the Company’s results of operations for the three months ended March 31, 2017, the Company’s financial condition as of March 31, 2017 and certain other financial and operating information.

This Item 2.02 and the Earnings Release attached hereto as Exhibit 99.1 are being furnished to the Securities and Exchange Commission and shall not be deemed “filed” for any purpose.

**Item 9.01. Financial Statements and Exhibits**

**(d) Exhibits**

Exhibit No.	Name
99.1	Press Release, dated May 8, 2017

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 8, 2017

COMMERCEHUB, INC.

By: /S/ MARK GREENQUIST

Name: Mark Greenquist

Title: Chief Financial Officer and Treasurer

## EXHIBIT INDEX

Exhibit No.	Name
99.1	Press Release, dated May 8, 2017



## CommerceHub Announces First Quarter 2017 Financial Results

*Revenue of \$24.6 million increases 11%, GAAP EPS is \$0.06, adjusted EPS is \$0.09  
Revenue excluding customers acquired through the Mercent acquisition increases 17%*

ALBANY, NY, May 8, 2017 - CommerceHub, Inc. (NASDAQ: CHUBA, CHUBK) ("CommerceHub," "we," "us," "our" or the "Company"), a leading distributed commerce network for retailers and brands, today announced financial results for the quarter ended March 31, 2017.

"CommerceHub's first quarter financial results were highlighted by 17% revenue growth in core drop-ship revenue, which demonstrates the success many of our customers are having with their e-commerce initiatives in a competitive retail environment," said Frank Poore, CommerceHub's Founder, President and CEO. "Consumer preferences are rapidly shifting to digital channels and retailers need to aggressively expand their online product assortments to meet consumer expectations," he continued. "Our performance this quarter shows how CommerceHub can be an essential partner in enabling expanded assortment strategies and efficient order fulfillment, which are the key building blocks for success in today's retail market."

"Continued revenue growth and expanding gross margins contributed to a solidly profitable quarter with strong cash flow generation," said Mark Greenquist, CommerceHub's CFO, "which is indicative of our highly scalable model that is aligned with the success of our customers."

### First Quarter 2017 Financial Highlights

- **Revenue** was \$24.6 million, an 11% year-over-year increase from \$22.1 million in 2016. Core drop-ship revenue, which excludes customers acquired through the Mercent acquisition, increased 17%.
- **Gross margin** was 78%, compared to 72% in 2016. Adjusted gross margin was 78%, compared to 76% in 2016.
- **Net income** was \$2.5 million, or \$0.06 per diluted share, compared to a net loss of \$2.0 million, or a net loss of \$0.05 per diluted share, in 2016.
- **Adjusted net income** was \$3.8 million, or \$0.09 per diluted share, compared to \$4.6 million, or \$0.11 per diluted share, in 2016.
- **Adjusted EBITDA** was \$8.7 million, compared to \$9.3 million in 2016.
- **Operating cash flow** was \$13.6 million, compared to \$8.1 million in 2016.
- **Free cash flow** was \$12.2 million, compared to \$3.6 million in 2016.
- **Cash** at quarter end was \$4.0 million and the total amount outstanding under our credit facility was \$10.0 million.

An explanation of these non-GAAP financial measures is included below under the heading "Statement Regarding Non-GAAP Financial Measures." A reconciliation of these non-GAAP financial measures to the closest comparable GAAP financial measures has also been provided in the financial tables included at the end of this press release.

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**Other Recent Highlights**

- Total customer count at March 31, 2017 was 10,801, up from 9,622 at March 31, 2016, or 12% year-over-year.
- We expanded our CommerceHub for Retailers network with the signing of a fast-growing and innovative online retailing startup, in addition to a leading loyalty program provider in the leisure products and travel industry segment.
- We welcomed Gary Nafus as Chief Revenue Officer, who will report to CEO Frank Poore and will be responsible for leading the Company's efforts to identify and execute on opportunities for growth within new and existing customers.

**Conference Call Details**

The Company will offer a live conference call, and a live, listen-only webcast of the call via the CommerceHub Investor Relations website at 4:30 p.m., E.T., today, Monday, May 8, 2017. See <http://ir.commercehub.com/events.cfm>, where supporting materials, including a presentation and supplemental financial data, have been posted.

<b>Live Call:</b>	U.S./Canada Toll-Free Participants Dial-in Number: (800) 219-6912 International Toll Participants Dial-in Number: (574) 990-1026 Conference ID/Passcode: 11695529
<b>Webcast (live and replay):</b>	<a href="http://ir.commercehub.com/events.cfm">http://ir.commercehub.com/events.cfm</a>

**About CommerceHub:**

CommerceHub is a distributed commerce network connecting supply, demand and delivery that helps retailers and brands increase sales by expanding product assortments, promoting products on the channels that perform, and enabling rapid, on-time customer delivery. With its robust platform and proven scalability, CommerceHub helped over 10,000 retailers, brands, and distributors achieve an estimated \$13+ billion in Gross Merchandise Value in 2016.

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### **Important Information Regarding Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about future business strategies, future financial performance, market conditions and potential, future growth of e-commerce, customer growth, sales channel expansion and other matters that are not historical facts. These statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including, without limitation, market acceptance and performance of our products and services, competitive issues, general market conditions, regulatory matters affecting our business and changes in law. These forward-looking statements speak only as of the date of this presentation, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any such statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. There can be no assurance that any expectation or belief expressed in a forward-looking statement will occur, and you should not place undue reliance on any forward-looking statements. Please refer to our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, for additional information about us and the risks and uncertainties we face that may affect the forward-looking statements made in this press release.

### **Statement Regarding Non-GAAP Financial Measures**

In addition to reporting financial measures calculated in accordance with U.S. generally accepted accounting principles (“GAAP”), we provide non-GAAP financial measures that management considers in reviewing our financial performance because we feel they are relevant measures of the overall efficiency of our business model. These non-GAAP financial measures are not a substitute for, or superior to, and should be considered only in addition to, financial measures calculated in accordance with GAAP. They are subject to inherent limitations and exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. Certain of these adjustments are based on estimates and assumptions of management and do not purport to reflect actual historical results. In addition, you should be aware that our computation of these non-GAAP financial measures may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate these measures in the same fashion. We define “adjusted gross profit” as gross profit plus share-based compensation and acquisition-related intangible amortization. We define “adjusted gross margin” as adjusted gross profit divided by revenue. We define “adjusted operating expenses” as total operating expenses less share-based compensation and acquisition-related intangible amortization. We define “adjusted EBITDA” as net income or loss plus interest expense, income tax expense, depreciation of property and equipment, amortization of capitalized software costs and intangible assets and share-based compensation expense, less interest income and income tax benefit. We define “adjusted net income” as net income or loss plus share-based compensation, acquisition-related intangible amortization and the tax effect of these adjustments. We define “adjusted earnings per diluted share” as earnings per diluted share plus the diluted per share effects of share-based compensation, acquisition-related intangible amortization and the tax effect of these adjustments. We define “free cash flow” as net cash provided by, or used in, operating activities less purchases of property and equipment and additions to capitalized software. A reconciliation of these non-GAAP financial measures to the closest comparable GAAP financial measures has been provided in the financial tables included at the end of this press release.

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**CommerceHub Investor Relations Contact**

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**CommerceHub, Inc.**  
**Consolidated Statement of Operations**  
(in thousands except per share data)  
(unaudited)

	<b>3 months ended:</b>	
	<b>03/31/17</b>	<b>03/31/16</b>
Revenue	\$ 24,568	\$ 22,090
Cost of revenue	5,516	6,104
Gross profit	19,052	15,986
Gross margin	78%	72%
Research and development	5,915	4,870
Sales and marketing	1,931	3,618
General and administrative	6,939	10,524
Operating expenses	14,785	19,012
Operating income (loss)	4,267	(3,026)
Interest (expense) income, net	(227)	166
Pre-tax income (loss)	4,040	(2,860)
Income tax expense (benefit)	1,581	(870)
Net income (loss)	\$ 2,459	\$ (1,990)
Earnings per share:		
Basic	\$ 0.06	\$ (0.05)
Diluted	\$ 0.06	\$ (0.05)
Share count (1) :		
Basic	42,977	42,703
Diluted	44,670	42,703

(1) Share counts for pre-spin periods represent the shares issued at spin-off on July 22, 2016.

**CommerceHub, Inc.**  
**Consolidated Balance Sheets**  
(in thousands)  
(unaudited)

	03/31/17	12/31/16
<b>Assets</b>		
Cash and cash equivalents	\$ 4,044	\$ 6,471
Accounts receivable, net of allowances	12,530	18,109
Prepaid income taxes	635	4,311
Prepaid expenses	1,386	1,549
Total current assets	18,595	30,440
Capitalized software, net	6,011	6,716
Deferred services costs	4,808	4,989
Property and equipment, net	7,913	7,629
Goodwill	21,410	21,410
Deferred income taxes	8,356	7,714
Other long-term assets	1,475	1,122
Total assets	\$ 68,568	\$ 80,020
<b>Liabilities and Equity</b>		
Accounts payable and accrued expenses	\$ 2,507	\$ 2,135
Accrued payroll and related expenses	4,816	7,435
Income taxes payable	7	7
Deferred revenue	5,340	5,149
Total current liabilities	12,670	14,726
Deferred revenue, long-term	7,724	7,581
Other long-term liabilities	1,453	1,135
Long-term debt	10,000	26,000
Total liabilities	31,847	49,442
Equity:		
Total equity	36,721	30,578
Total liabilities and equity	\$ 68,568	\$ 80,020

**CommerceHub, Inc.**  
**Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

	<b>3 months ended:</b>	
	<b>3/31/17</b>	<b>3/31/16</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 2,459	\$ (1,990)
Adjustments to net income (loss):		
Depreciation and amortization	2,094	2,323
Amortization of debt issuance costs	56	-
Share-based compensation expense	2,360	10,037
Deferred income taxes	(642)	(2,371)
Bad debt expense	404	33
Accrued interest income	-	(166)
Working capital changes:		
Accounts receivable	5,175	4,604
Prepaid expenses and other assets	(243)	(409)
Prepaid income taxes	3,676	-
Deferred costs	181	(192)
Deferred revenue	334	218
Accounts payable and accrued expenses	337	2,058
Accrued payroll and related expenses	(2,620)	1,106
Share-based compensation liability payments	-	(7,436)
Parent receivables and payables, net	-	257
Net cash provided by operating activities	<u>13,571</u>	<u>8,072</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(692)	(2,291)
Additions to capitalized software	(631)	(2,183)
Net cash used in investing activities	<u>(1,323)</u>	<u>(4,474)</u>
<b>Cash flows from financing activities</b>		
Payments on revolver	(16,000)	-
Cash received from exercise of stock options	1,324	52
Net cash (used in) provided by financing activities	<u>(14,676)</u>	<u>52</u>
Currency effect on cash	1	-
Net (decrease) increase in cash and cash equivalents	<u>(2,427)</u>	<u>3,650</u>
Beginning cash and cash equivalents	6,471	19,337
Ending cash and cash equivalents	<u>\$ 4,044</u>	<u>\$ 22,987</u>

**Supplemental Information**

(in thousands)

(unaudited)

	3 months ended:		
	3/31/17	3/31/16	% Inc (Dec)
Revenue by type:			
Usage	\$ 15,859	\$ 14,296	11%
Subscription	6,897	6,364	8%
Set-up and professional services	1,812	1,430	27%
Total revenue	<u>\$ 24,568</u>	<u>\$ 22,090</u>	11%

	3 months ended:	
	3/31/17	3/31/16
Share-based compensation expense:		
Cost of revenue	\$ 110	\$ 504
Research and development	571	1,860
Sales and marketing	135	984
General and administrative	1,544	6,689
Total	<u>\$ 2,360</u>	<u>\$ 10,037</u>

**CommerceHub, Inc.**  
**GAAP to Non-GAAP Reconciliations**  
(in thousands)  
(unaudited)

**Reconciliation of GAAP gross profit to adjusted gross profit:**

	<b>3 months ended:</b>	
	<b>3/31/17</b>	<b>3/31/16</b>
Gross profit	\$ 19,052	\$ 15,986
Share-based compensation	110	504
Acquisition-related intangible amortization	-	188
Adjusted gross profit	<u>\$ 19,162</u>	<u>\$ 16,678</u>
Adjusted gross margin	78%	76%

**Reconciliation of GAAP operating expenses to adjusted operating expenses:**

	<b>3 months ended:</b>	
	<b>3/31/17</b>	<b>3/31/16</b>
Operating expenses	\$ 14,785	\$ 19,012
Share-based compensation	(2,250)	(9,533)
Acquisition-related intangible amortization	-	(250)
Adjusted operating expenses	<u>\$ 12,535</u>	<u>\$ 9,229</u>

**Reconciliation of GAAP net income (loss) to adjusted EBITDA:**

	<b>3 months ended:</b>	
	<b>3/31/17</b>	<b>3/31/16</b>
Net income (loss)	\$ 2,459	\$ (1,990)
Interest expense (income), net	227	(166)
Income tax expense (benefit)	1,581	(870)
Depreciation and amortization	2,094	2,323
Share-based compensation	2,360	10,037
Adjusted EBITDA	<u>\$ 8,721</u>	<u>\$ 9,334</u>

**CommerceHub, Inc.**  
**GAAP to Non-GAAP Reconciliations, continued**  
(in thousands except per share data)  
(unaudited)

**Reconciliation of GAAP net income (loss) to adjusted net income:**

	<b>3 months ended:</b>	
	<b>3/31/17</b>	<b>3/31/16</b>
Net income (loss)	\$ 2,459	\$ (1,990)
Share-based compensation	2,360	10,037
Acquisition-related intangible amortization	-	438
Tax effect of adjustments (1)	(979)	(3,916)
Adjusted net income	<u>\$ 3,840</u>	<u>\$ 4,569</u>

(1) Adjusted net income assumes a long-term projected tax rate of 40%

**Reconciliation of GAAP earnings per diluted share to adjusted earnings per diluted share:**

	<b>3 months ended:</b>	
	<b>3/31/17</b>	<b>3/31/16</b>
GAAP earnings per diluted share	\$ 0.06	\$ (0.05)
Share-based compensation	0.05	0.24
Acquisition-related intangible amortization	-	0.01
Tax effect of adjustments (1)	(0.02)	(0.09)
Adjusted earnings per diluted share	<u>\$ 0.09</u>	<u>\$ 0.11</u>
Diluted share count	44,670	42,703

(1) Adjusted earnings per diluted share assumes a long-term projected tax rate of 40%

**Reconciliation of GAAP net cash provided by operating activities to free cash flow:**

	<b>3 months ended:</b>	
	<b>3/31/17</b>	<b>3/31/16</b>
Net cash provided by operating activities	\$ 13,571	\$ 8,072
Purchases of property and equipment	(692)	(2,291)
Additions to capitalized software	(631)	(2,183)
Free cash flow (1)	<u>\$ 12,248</u>	<u>\$ 3,598</u>

(1) Includes share-based compensation liability payments of: - (7,436)