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BAZAARVOICE INC

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 31, 2017

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 001-35433

BAZAARVOICE, INC.
(Exact name of registrant as specified in its charter)

State of Delaware	**20-2908277**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10901 South Stonelake Blvd. Austin, Texas	**78759-5749**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (512) 551-6000

Not Applicable
(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 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 ☐

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.

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 February 24, 2017 was 83,648,563 .

Bazaarvoice, Inc.
Table of Contents

		Page
Part I.	**Financial Information**	
Item 1.	Condensed Consolidated Financial Statements:	
	Unaudited Condensed Consolidated Balance Sheets as of January 31, 2017 and April 30, 2016	1
	Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended January 31, 2017 and 2016	2
	Unaudited Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended January 31, 2017 and 2016	3
	Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity for the nine months ended January 31, 2017	4
	Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended January 31, 2017 and 2016	5
	Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	32
Item 4.	Controls and Procedures	32
Part II.	**Other Information**	34
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 6.	Exhibits	34
Signatures		35

Bazaarvoice, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except shares and per share data)
(unaudited)

	January 31, 2017		April 30, 2016	
Assets				
Current assets:				
Cash and cash equivalents	$	38,287	$	43,963
Short-term investments		45,207		50,682
Accounts receivable, net of allowance for doubtful accounts of $1,537 and $2,362 as of January 31, 2017 and April 30, 2016, respectively		51,624		39,597
Prepaid expenses and other current assets		9,567		8,415
Total current assets		144,685		142,657
Property, equipment and capitalized internal-use software development costs, net		29,160		31,649
Goodwill		139,155		139,155
Acquired intangible assets, net		8,190		9,607
Other non-current assets		4,003		5,214
Total assets	$	325,193	$	328,282
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$	4,775	$	6,110
Accrued expenses and other current liabilities		18,314		23,167
Revolving line of credit		37,000		—
Deferred revenue		71,163		62,735
Total current liabilities		131,252		92,012
Long-term liabilities:				
Revolving line of credit		—		42,000
Deferred revenue less current portion		2,500		2,481
Other liabilities, long-term		6,726		7,255
Total liabilities		140,478		143,748
Commitments and contingencies (Note 9)				
Stockholders' equity:				
Common stock – $0.0001 par value; 150,000,000 shares authorized, 83,848,563 shares issued and 83,648,563 shares outstanding as of January 31, 2017; 150,000,000 shares authorized, 82,269,748 shares issued and 82,069,748 shares outstanding at April 30, 2016		8		8
Treasury stock, at cost – 200,000 shares as of January 31, 2017 and April 30, 2016		—		—
Additional paid-in capital		450,418		437,239
Accumulated other comprehensive loss		(1,909)		(878)
Accumulated deficit		(263,802)		(251,835)
Total stockholders' equity		184,715		184,534
Total liabilities and stockholders' equity	$	325,193	$	328,282

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

Bazaarvoice, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except net loss per share data)
(unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
Revenue	$ 50,525	$ 50,255	$ 151,026	$ 149,057
Cost of revenue	19,196	18,920	56,807	57,614
Gross profit	31,329	31,335	94,219	91,443
Operating expenses:				
Sales and marketing	16,322	16,113	47,445	51,781
Research and development	9,588	10,199	30,620	31,086
General and administrative	7,299	6,940	23,609	22,821
Restructuring charges	—	—	1,094	—
Acquisition-related and other	84	332	380	1,258
Amortization of acquired intangible assets	309	309	928	928
Total operating expenses	33,602	33,893	104,076	107,874
Operating loss	(2,273)	(2,558)	(9,857)	(16,431)
Other income (expense), net:				
Interest income	150	124	445	275
Interest expense	(450)	(596)	(1,398)	(1,628)
Other expense	(32)	(247)	(807)	(553)
Total other expense, net	(332)	(719)	(1,760)	(1,906)
Loss before income taxes	(2,605)	(3,277)	(11,617)	(18,337)
Income tax expense (benefit)	123	(163)	350	(127)
Net loss	$ (2,728)	$ (3,114)	$ (11,967)	$ (18,210)
Net loss per share:				
Basic and diluted loss per share	$ (0.03)	$ (0.04)	$ (0.14)	$ (0.23)
Basic and diluted weighted average number of shares outstanding	83,348	81,096	82,830	80,649

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

Bazaarvoice, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	**2016**	**2017**	**2016**
Net loss	$ (2,728)	$ (3,114)	$ (11,967)	$ (18,210)
Other comprehensive gain (loss), net of tax:				
Foreign currency translation adjustment	111	(453)	(1,015)	(526)
Unrealized loss on investments	(14)	(34)	(16)	(33)
Total other comprehensive gain (loss), net of tax	97	(487)	(1,031)	(559)
Comprehensive loss	$ (2,631)	$ (3,601)	$ (12,998)	$ (18,769)

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

Table of Contents

Bazaarvoice, Inc.
Condensed Consolidated Statement of Changes in Stockholders' Equity
(in thousands)
(unaudited)

	Common Stock		Treasury Stock					
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance at April 30, 2016	82,270	$ 8	(200)	$ —	$ 437,239	$ (878)	$ (251,835)	$ 184,534
Excess tax deficiency related to stock-based expense	—	—	—	—	(43)	—	—	(43)
Stock-based expense	—	—	—	—	12,537	—	—	12,537
Issuance of restricted stock awards	91	—	—	—	—	—	—	—
Exercise of stock options and vested restricted stock units	1,164	—	—	—	(220)	—	—	(220)
Shares issued under employee stock plans	324	—	—	—	905	—	—	905
Change in foreign currency translation adjustment	—	—	—	—	—	(1,015)	—	(1,015)
Change in unrealized loss on investments	—	—	—	—	—	(16)	—	(16)
Net loss	—	—	—	—	—	—	(11,967)	(11,967)
Balance at January 31, 2017	83,849	$ 8	(200)	$ —	$ 450,418	$ (1,909)	$ (263,802)	$ 184,715

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

Bazaarvoice, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended January 31,	
	2017	2016
Operating activities:		
Net loss	$ (11,967)	$ (18,210)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	10,623	10,487
Stock-based expense	12,172	11,484
Bad debt expense	(243)	(265)
Amortization of deferred financing costs	176	176
Loss on sublease	501	—
Other non-cash expense	(172)	82
Changes in operating assets and liabilities:		
Accounts receivable	(11,784)	10,715
Prepaid expenses and other current assets	(815)	(479)
Other non-current assets	862	(968)
Accounts payable	(1,313)	1,797
Accrued expenses and other current liabilities	(5,425)	(5,138)
Deferred revenue	8,447	225
Other liabilities, long-term	(468)	5,039
Net cash provided by operating activities	594	14,945
Investing activities:		
Proceeds from sale of discontinued operations	—	4,501
Purchases of property, equipment and capitalized internal-use software development costs	(6,988)	(19,422)
Purchases of short-term investments	(36,895)	(53,467)
Proceeds from maturities of short-term investments	42,140	55,017
Net cash used in investing activities	(1,743)	(13,371)
Financing activities:		
Proceeds from employee stock compensation plans	1,297	2,777
Payments on revolving line of credit	(5,000)	—
Net cash provided by (used in) financing activities	(3,703)	2,777
Effect of exchange rate fluctuations on cash and cash equivalents	(824)	(448)
Net change in cash and cash equivalents	(5,676)	3,903
Cash and cash equivalents at beginning of period	43,963	54,041
Cash and cash equivalents at end of period	$ 38,287	$ 57,944
Supplemental disclosure of non-cash investing and financing activities:		
Purchase of fixed assets recorded in accounts payable	$ —	$ 318
Asset retirement obligation costs incurred	$ —	$ 100
Capitalized stock-based compensation	$ 365	$ 366

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

Bazaarvoice, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Nature of Operations

Bazaarvoice, Inc. ("Bazaarvoice" or the "Company") was founded on the premise that the collective voice of the consumer is the most powerful marketing tool in the world. The Company's solutions and services allow the Company's retailer and brand clients to understand that consumer voice and the role it plays in influencing purchasing decisions, both online and offline. The Company's solutions collect, curate and display consumer-generated content including ratings and reviews, questions and answers, customer stories, and social posts, photos, and videos. This content is syndicated and distributed across the Company's clients' marketing channels, including category/product pages, search terms, brand sites, mobile applications, in-store displays, and paid and earned advertising. This consumer-generated content enables the Company's clients to generate more revenue, market share, and brand affinity. The Company's solutions empower the Company's clients to leverage insights derived from consumer-generated content to improve marketing effectiveness, increase success of new product launches, improve existing products and services, effectively scale customer support, decrease product returns, reach consumers when actively shopping via highly targeted audience advertising, and enable retailers to launch and manage on-site advertising solutions and site monetization strategies.

2. Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal year end is April 30. References to fiscal year 2017 , for example, refer to the fiscal year ending April 30, 2017 .

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("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 GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2016 , filed on June 20, 2016. There have been no significant changes to the Company's accounting policies since April 30, 2016 .

The condensed consolidated balance sheet data as of April 30, 2016 was derived from the audited consolidated financial statements included in the Company's Annual Report on form 10-K for the fiscal year ended April 30, 2016 . Certain immaterial prior period amounts presented in the consolidated statement of cash flows have been reclassified to conform to current period financial statement presentation. These reclassifications have no effect on previously reported net income.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, allowance for doubtful accounts, income taxes, stock-based expense, accrued liabilities, useful lives of property, equipment and capitalized software development costs, among others. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates made by management with respect to these items.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and the accounts of the Company's wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements and notes have been prepared in accordance with GAAP, as contained in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification for interim financial information and Article 10 of Regulation S-X issued by the SEC. Accordingly, they do not include all the information and footnotes required by GAAP for annual fiscal reporting periods. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair statement of the results of operations, financial position,

changes in stockholders' equity and cash flows. The results of operations for the three and nine months ended January 31, 2017 are not necessarily indicative of results that may be expected for the fiscal year ending April 30, 2017 or any other period.

Foreign Currency Translation

The U.S. dollar is the reporting currency for all periods presented. The functional currency of the Company's foreign subsidiaries is generally the local currency. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenue and expenses are translated at the average rate during the period. Equity transactions are translated using historical exchange rates. Adjustments resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive gain (loss). Foreign currency transaction gains and losses are included in net loss for the period. Foreign currency losses, net of hedge gains, were immaterial for the three month periods ended January 31, 2017 and 2016. The Company recognized foreign currency losses, net of hedge gains, of $0.6 million and $0.5 million , for the nine month period ended January 31, 2017 and 2016, respectively.

Derivative Financial Instruments

As a result of the Company's international operations, it is exposed to various market risks, such as fluctuations in currency exchange rates, which may affect its consolidated results of operations, cash flows and financial position. The Company's primary foreign currency exposures are in Euros and British Pound Sterling. The Company faces exposure to adverse movements in currency exchange rates as the financial results of certain of its operations are translated from local currency into U.S. dollars upon consolidation. Additionally, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains and losses that are reflected in income.

The Company may enter into derivative instruments to hedge certain net exposures of non-U.S. dollar-denominated assets and liabilities, even though it does not elect to apply hedge accounting or hedge accounting does not apply. Gains and losses resulting from a change in fair value of these derivatives are reflected in income in the period in which the change occurs and are recognized on the condensed consolidated statement of operations in other income (expense). Cash flows from these contracts are classified within net cash provided by operating activities on the condensed consolidated statements of cash flows.

The Company does not use financial instruments for trading or speculative purposes. The Company recognizes all derivative instruments on the balance sheet at fair value, and its derivative instruments are generally short-term in duration. Derivative contracts were not material as of January 31, 2017 and April 30, 2016. The Company is exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their respective fair values due to their short-term nature.

The Company applies the authoritative guidance on fair value measurements for financial assets and liabilities. The guidance defines fair value and increases disclosures surrounding fair value calculations. The guidance establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company.

Level 2: Inputs that are observable in the marketplace other than those inputs classified as Level 1.

Level 3: Inputs that are unobservable in the marketplace which require the Company to develop its own assumptions.

The valuation techniques used to determine the fair value of our financial instruments having Level 2 inputs are valued using unadjusted, non-binding market consensus prices that are corroborated by observable market data, quoted market prices for similar instruments, or pricing models. Our procedures include controls to ensure that appropriate fair values are recorded by a review of the valuation methods and assumptions. The Company did not hold any cash equivalents, restricted cash or short-term investments categorized as Level 3 as of January 31, 2017 or April 30, 2016.

Goodwill Impairment

In accordance with ASC Topic 350, "Intangibles-Goodwill and Other", the Company evaluates goodwill for impairment annually in the fourth fiscal quarter or more frequently if indicators of potential impairment arise, using the two-step method. Conditions that could trigger a more frequent impairment assessment include, but are not limited to, a significant adverse change in customer demand or business climate, significant underperformance relative to historical or projected future operating results, a significant reduction in our stock price for a sustained period or a reduction of the Company's market capitalization relative to the carrying value.

The Company performs step one of the test for impairment of goodwill by estimating and comparing the fair value of the Company's single reporting unit to its carrying value as of that date. The Company estimates fair value of its single reporting unit

using a market approach, which includes consideration of the Company's market capitalization. If the fair value of the Company's single reporting unit is less than its carrying value, the second step of the test for impairment of goodwill, in which the Company compares the implied fair value of its reporting unit's goodwill with the carrying value of that goodwill, is performed. The estimate of implied fair value of goodwill may require estimated fair values of individual assets and liabilities of the reporting unit, together with an estimate of the fair value of the reporting unit taken as a whole. If the carrying value of the goodwill exceeds the calculated implied fair value, the excess amount will be recognized as an impairment loss.

The estimates the Company makes in determining the fair value of its reporting unit involve the application of judgment, which could affect the timing and size of any future impairment charges. No goodwill impairment charges were recorded for any of the periods presented.

Concentrations of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and account receivables. The Company's cash and cash equivalents are placed with high-credit-quality financial institutions and issuers, and at times may exceed federally insured limits. The Company has not experienced any loss relating to cash and cash equivalents in these accounts to date. The Company maintains an allowance for doubtful accounts receivable balances, performs periodic credit evaluations of its clients and generally does not require collateral of its clients.

No single client accounted for 10% or more of accounts receivable as of January 31, 2017 or April 30, 2016 . No single client accounted for 10% or more of total revenue for the three and nine months ended January 31, 2017 or 2016 .

Revenue Recognition

In general, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been delivered to the client, (iii) the fee is fixed or determinable and (iv) collectability is reasonably assured. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

The Company generates revenue primarily from sales of the following services:

Software as a Service ("SaaS") Revenue:

SaaS revenue includes subscription fees from clients accessing the Company's cloud-based social commerce solutions and application services pursuant to service agreements that vary in length from one to three years . Subscription and support revenue is recognized ratably over the term of the related agreement commencing upon the later of the agreement start date or when all revenue recognition criteria have been met. The client does not have the right to take possession of the software supporting the application service at any time, nor do the arrangements contain general rights of return.

Professional Service Revenue:

Professional services consist of fees associated with providing expert services that educate and assist clients on the best use of the Company's solutions as well as assist in the implementation of the solutions. Professional services are not required for clients to utilize the Company's solutions. The Company's professional services contracts are offered on both a time and material basis and a project basis. Professional services revenue is recognized as the services are rendered.

Advertising Revenue:

Advertising revenue consists primarily of fees charged to advertisers when their advertisements are displayed on websites owned by various third-parties ("Publishers"). The Company receives a fee from the advertisers and pays the Publishers based on their contractual revenue-share agreements or average cost per thousand impressions delivered. Advertising revenue is recognized on a net basis as the Company has determined that it is acting as an agent in these transactions.

Multiple Element Arrangements

Typically, the Company's SaaS revenue from new clients consists of agreements with multiple elements, comprised of subscription fees for the Company's products and professional services. The Company evaluates each element in a multiple-element arrangement to determine whether it represents a separate unit of accounting. An element constitutes a separate unit of accounting when the delivered item has standalone value and delivery of the undelivered element is probable and within the Company's control. Various subscription-based products have standalone value because they are routinely sold separately by the Company. In determining whether professional services can be accounted for separately from subscription services, the Company considered the availability of the professional services from other vendors, the nature of the Company's professional services, whether the professional service is required to utilize the Company's solutions and whether the Company sells its applications to new clients without professional services.

If the deliverables have standalone value upon delivery, the Company accounts for each deliverable separately and revenue is recognized for the respective deliverables over the respective service period. If one or more of the deliverables does not have

standalone value upon delivery, the deliverables that do not have standalone value are generally combined with the final deliverable within the arrangement and treated as a single unit of accounting. Revenue for arrangements treated as a single unit of accounting is generally recognized over the period commencing upon delivery of the final deliverable and over the remaining term of the subscription contract.

The Company allocates revenue to each element in an arrangement based on a selling price hierarchy. The selling price for a deliverable is based on its vendor-specific objective evidence ("VSOE"), if available, third-party evidence ("TPE"), if VSOE is not available, or best estimated selling price ("BESP"), if neither VSOE nor TPE is available. Because the Company has been unable to establish VSOE or TPE for the elements of our arrangements, the Company allocates the arrangement fee to the separate units of accounting based on the Company's best estimate of selling price. The Company determines BESP price for its deliverables based on the Company's overall pricing objectives, discounting practices, the size and volume of the Company's transactions, the client demographic, the Company's price lists, the Company's go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by management, taking into consideration the go-to-market strategy. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in relative selling prices, including both VSOE and BESP.

Deferred Revenue

Deferred revenue consists of billings or payments received in advance of revenue recognition and is recognized as the revenue recognition criteria are met. The Company invoices clients in a variety of installments and, consequently, the deferred revenue balance does not represent the total contract value of its non-cancelable subscription agreements. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as non-current deferred revenue.

Recent Accounting Pronouncements

Simplifying the Accounting for Goodwill Impairment

In January 2017, the FASB issued Accounting Standards Update 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment," ("ASU 2017-04"), which removes step two of the two-step quantitative goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be calculated as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted, and applied prospectively. The Company does not expect ASU 2017-04 to have a material impact on its consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued Accounting Standards Update 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," ("ASU 2016-15") to clarify and provide specific guidance on eight cash flow classification issues that are not addressed by current GAAP and thereby reduce the current diversity in practice. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and requires retrospective adoption. The Company does not expect the adoption to have a material impact on its consolidated financial statements and may consider early adoption, which is permitted in any interim or annual period.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued Accounting Standards Update 2016-09, "Improvements to Employee Share-Based Payment Accounting," ("ASU 2016-09") which requires excess tax benefits and tax deficiencies to be recorded in the income statement. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also allows entities to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting, clarifies that all cash payments made on an employee's behalf for withheld shares should be presented as a financing activity on the cash flow statement, and provides an accounting policy election to account for forfeitures as they occur. The standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and early adoption is permitted. The Company does not expect the adoption to have a material impact on its consolidated financial statements

Leases (Topic 842)

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases (Topic 842)," ("ASU 2016-02") which requires that lessees recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The standard is effective for fiscal years beginning after December

15, 2018, including interim periods within those fiscal years. The standard must be adopted using a modified retrospective approach and early adoption is permitted. As a result of this new standard, the Company expects to record a lease commitment liability and corresponding asset for most of our leases. The Company is currently evaluating the full impact the adoption of ASU 2016-02 will have on its consolidated financial statements.

Intangibles – Goodwill and Other – Internal Use Software

In April 2015, the FASB issued Accounting Standards Update 2015-05, "Intangible-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," ("ASU 2015-05") which provides guidance to customers with cloud computing arrangements that include a software license. If a cloud computing arrangement includes a software license, the customer is required to account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 does not change the accounting for a customer's accounting for service contracts. As a result of the ASU 2015-05, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The standard allows for retrospective or prospective adoption. The Company adopted this updated guidance effective fiscal year 2017. Adoption of this guidance did not have a material impact on our consolidated results of operations, financial position or liquidity.

Presentation of Financial Statements – Going Concern (Subtopic 205-40)

In August 2014, the FASB issued Accounting Standards Update 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entities Ability to Continue as a Going Concern," ("ASU 2014-15") which sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. The updated guidance will be effective for annual periods ending after December 15, 2016 with early adoption permitted. The updated guidance will be effective for the fiscal year ending April 30, 2017 and is not expected to have a material impact on our consolidated financial statements.

Revenue

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers," ("ASU 2014-09") which provides updated, comprehensive revenue recognition guidance for contracts with customers, including a new principles-based five step framework that eliminates much of the industry-specific guidance in current accounting literature. Under ASU 2014-09, revenue recognition is based on a core principle that companies recognize revenue in an amount consistent with the consideration it expects to be entitled to in exchange for the transfer of goods or services. The standards update also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of recognized revenue. Since ASU 2014-09 was issued, several additional ASUs have been issued and incorporated within FASB Accounting Standards Codification 606 ("ASC 606") to clarify various elements of the guidance, including Accounting Standards Update 2015-14, "Revenue from Contracts with Customers," ("ASU 2015-14") which defers the effective date of ASU 2014-09 by one year. In accordance with the deferral, updated guidance will be effective for the Company's fiscal year ending April 30, 2019, including interim periods within that reporting period. Early adoption is permitted for annual periods beginning after December 15, 2016, the original effective date of ASU 2014-09. The Company is in the process of assessing the adoption methodology, which allows the amendment to be applied retrospectively to each prior period presented, or with the cumulative effect recognized as of the date of initial application. While the Company is still evaluating the full impact of the pending adoption of ASU 2014-09 and related amendments on its consolidated financial statements, the Company has identified certain anticipated impacts based on its preliminary review of the standard. Specifically, under the new standard the Company will be required to capitalize certain sales commissions that are directly related to the acquisition of customers, which the Company currently expenses. In addition, the Company has identified certain contract specific terms for which the timing of revenue recognition may be impacted by the new standard.

The Company has reviewed other new accounting pronouncements that were issued as of January 31, 2017 and does not believe that these pronouncements are applicable to the Company, or that they will have a material impact on its financial position or results of operations.

3. Fair Value of Financial Assets and Liabilities

The following table summarizes the Company's cash and cash equivalents as of January 31, 2017 and April 30, 2016 (in thousands):

	January 31, 2017	April 30, 2016
Demand deposit accounts	$ 37,025	$ 38,692
Money market funds	587	922
Commercial paper	675	4,349
Total cash and cash equivalents	$ 38,287	$ 43,963

The following table summarizes the Company's short-term investments as of January 31, 2017 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Certificates of deposit	$ 3,670	$ —	$ —	$ 3,670
Municipal debt securities	541	—	—	541
Commercial paper	4,446	—	—	4,446
U.S. Treasury securities	8,712	—	(7)	8,705
U.S. government agency debt securities	19,731	1	(7)	19,725
Corporate debt securities	8,133	—	(13)	8,120
Total short-term investments	$ 45,233	$ 1	$ (27)	$ 45,207

The following table summarizes the Company's short-term investments as of April 30, 2016 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Certificates of deposit	$ 7,090	$ —	$ (1)	$ 7,089
Commercial paper	4,043	—	—	4,043
U.S. Treasury securities	8,764	—	—	8,764
U.S. government agency debt securities	24,841	4	(9)	24,836
Corporate debt securities	5,954	1	(5)	5,950
Total short-term investments	$ 50,692	$ 5	$ (15)	$ 50,682

Realized and unrealized gains and losses on short-term investments were not material for the three and nine months ended January 31, 2017 and 2016 . An impairment charge is recorded in the consolidated statements of operations for declines in fair value below the cost of an individual investment that are deemed to be other-than-temporary. The Company assesses whether a decline in value is temporary based on the length of time that the fair market value has been below cost, the severity of the decline, as well as the intent and ability to hold, or plans to sell, the investment. There have been no impairment charges recognized related to short-term investments for the three and nine months ended January 31, 2017 and 2016 .

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties. We may sell these securities at any time for use in current operations or for other purposes, such as consideration for acquisitions, even if they have not yet reached maturity. As a result, we classify our investments, including securities with maturities beyond twelve months as current assets in the accompanying condensed consolidated balance sheets.

Contractual maturities of available-for-sale securities at January 31, 2017 , were as follows (in thousands):

	Estimated Fair Value
Due in one year or less	43,218
Due in 1-2 years	1,989
Total investments in debt securities	45,207

The following table summarizes the fair value of the Company's financial assets and liabilities that were measured on a recurring basis as of January 31, 2017 and April 30, 2016 (in thousands):

	Fair Value Measurements at January 31, 2017				Fair Value Measurements at April 30, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Cash equivalents:								
Money market funds	$ 587	$ —	$ —	$ 587	$ 922	$ —	$ —	$ 922
Commercial paper	—	675	—	675	—	4,349	—	4,349
Total cash equivalents	587	675	—	1,262	922	4,349	—	5,271
Short-term investments:								
Certificates of deposit	—	3,670	—	3,670	—	7,089	—	7,089
Municipal debt securities	—	541	—	541	—	—	—	—
Commercial paper	—	4,446	—	4,446	—	4,043	—	4,043
U.S. Treasury securities	8,705	—	—	8,705	8,764	—	—	8,764
U.S. government agency securities	19,725	—	—	19,725	24,836	—	—	24,836
Corporate securities	—	8,120	—	8,120	—	5,950	—	5,950
Total short-term investments	28,430	16,777	—	45,207	33,600	17,082	—	50,682
Total assets	$ 29,017	$ 17,452	$ —	$ 46,469	$ 34,522	$ 21,431	$ —	$ 55,953

The Company measures certain assets, including property and equipment, goodwill and intangible assets, at fair value on a non-recurring basis. These assets are recognized at fair value when they are deemed to be impaired. The Company evaluates transfers between levels at the end of the fiscal year and assumes that any identified transfers are deemed to have occurred at the end of the reporting year. There were no transfers between levels in any of the periods presented.

4. Acquired Intangible Assets, net

Acquired intangible assets, net, as of January 31, 2017 and April 30, 2016 are as follows (in thousands):

	January 31, 2017			April 30, 2016		
	Gross Fair Value	Accumulated Amortization	Net Book Value	Gross Fair Value	Accumulated Amortization	Net Book Value
Customer relationships	$ 11,835	$ (5,086)	$ 6,749	$ 11,835	$ (4,158)	$ 7,677
Developed technology	3,265	(1,824)	1,441	3,265	(1,335)	1,930
Total	$ 15,100	$ (6,910)	$ 8,190	$ 15,100	$ (5,493)	$ 9,607

The amortization of customer relationships is recorded as amortization expense and the amortization for developed technology is amortized to cost of revenue.

The following table presents our estimate of future amortization expense for definite-lived intangible assets (in thousands):

Fiscal period:	Amount
Remaining nine months of Fiscal year 2017	$ 473
Fiscal year 2018	1,890
Fiscal year 2019	1,856
Fiscal year 2020	1,130
Fiscal year 2021	1,130
Thereafter	1,711
Total	$ 8,190

5. Income Taxes

The Company computes its interim provision for income taxes by applying the estimated annual effective tax rate to income from operations and adjusts the provision for discrete tax items occurring in the period. For all periods presented, the Company was in a domestic net operating loss position, as such all income tax expenses incurred during the periods presented relate to foreign and state jurisdictions. The Company's effective tax rate for the three months ended January 31, 2017 was an expense of 4.7 percent compared to a benefit of 5.0 percent for the three months ended January 31, 2016 . The Company's effective tax rate for the nine months ended January 31, 2017 was an expense of 3.0 percent compared to a benefit of 0.7 percent for the nine months ended January 31, 2016 . The tax expense for the three and nine months ended January 31, 2017 was primarily attributable to estimated foreign and state income tax expense with a partial offset from the income tax benefit from research and development credits provided by the State of Texas. The tax benefit for the three and nine months ended January 31, 2016 was primarily attributable to a decrease in state taxes payable as a result of increased benefits recognized for research and development credits provided by the State of Texas.

6. Restructuring Charges

In February 2016, the Company made the decision to suspend sales of its BV Local product, reduce its cost structure to improve operating efficiencies and align resources with its growth strategies. Costs associated with these restructuring activities include workforce reductions charges, and facilities charges related to the loss recorded on the sub-lease of excess office space at the Company's headquarters.

The Company recorded pre-tax charges of approximately $0.0 million and $1.1 million during the three and nine month periods ended January 31, 2017 , consisting primarily of a loss on the sublease of the Company's San Francisco office which commenced in August 2016 and severance and related costs. As of January 31, 2017 and April 30, 2016, the accrued liability associated with the Company's restructuring activities consisted of the following (in thousands):

	Workforce Reduction	Excess Facilities	Total
		(in thousands)	
Balance at April 30, 2016	$ 497	$ 546	$ 1,043
Restructuring charges	459	635	1,094
Payments	(941)	(280)	(1,221)
Non-cash settlements of restructuring charges	—	(566)	(566)
Balance at January 31, 2017	$ 15	$ 335	$ 350

Expenses recorded related to these restructuring activities are included in the "Restructuring charges" line item in our consolidated statement of operations. The Company recorded charges of $2.7 million to date and does not expect to record any additional significant charges related to this restructuring.

7. Debt

Credit Facility

On July 18, 2007, the Company entered into a loan and security agreement with Comerica Bank which was most recently amended and restated on November 21, 2014. The Amended and Restated Credit Facility (the "Credit Facility") provides for a secured, revolving line of credit of up to $70.0 million , with a sublimit of $3.0 million for the incurrence of swingline loans and a sublimit of $15.0 million for the issuance of letters of credit. Borrowings under the Credit Facility are collateralized by substantially all assets of the Company and of its U.S. subsidiaries. The revolving line of credit bears interest at the adjusted LIBOR rate plus 3.5% . Availability under the Credit Facility was $23.1 million as of January 31, 2017 . The Company had letters of credit outstanding of $9.9 million as of January 31, 2017 . The Credit Facility expires on November 21, 2017 with all advances immediately due and payable. The Company was in compliance with all covenants contained in the Credit Facility as of January 31, 2017 .

The Company incurred $0.7 million of fees in connection with the Amended and Restated Credit Facility which were capitalized and are being amortized to interest expense using the straight-line method, which approximates the effective interest method, over the life of the Credit Facility. The Company incurred amortization expense on deferred financing costs of $0.1 million and $0.2 million , respectively, for the three and nine months ended January 31, 2017 and 2016 .

During the nine months ended January 31, 2017 the Company paid $5.0 million on the balance outstanding under its Credit Facility, reducing the Company's outstanding debt to $37.0 million .

8. Net Loss Per Share

The following table sets forth the computations of net loss per share applicable to common stockholders for the three and nine months ended January 31, 2017 and 2016 , respectively (in thousands, except net loss per share data):

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
Net loss	$ (2,728)	$ (3,114)	$ (11,967)	$ (18,210)
Basic and diluted loss per share	$ (0.03)	$ (0.04)	$ (0.14)	$ (0.23)
Basic and diluted weighted average number of shares outstanding	83,348	81,096	82,830	80,649
Potentially dilutive securities (1) :				
Outstanding stock options	360	168	279	224
Restricted shares	963	17	677	50

(1) The impact of potentially dilutive securities on earnings per share is anti-dilutive in a period of net loss.

9. Commitments and Contingencies

In the ordinary course of business, the Company may be subject to various legal proceedings and claims including alleged infringement of third-party patents and other intellectual property rights. The Company reviews the status of each matter and records a provision for a liability when it is considered both probable that a liability has been incurred and that the amount of the loss can be reasonably estimated. Legal fees incurred in connection with loss contingencies are recognized as incurred when the legal services are provided, and therefore are not recognized as a part of a loss contingency accrual. These provisions are reviewed quarterly and adjusted as additional information becomes available. We are not presently a party to any legal proceedings that in the opinion of our management would have a material adverse effect on our business, financial condition, operating results or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

The Company is subject to audit in various jurisdictions, and such jurisdictions may assess additional income and sales tax liabilities against us. Although we believe our tax estimates are reasonable, the final outcome of tax audits and any related litigation could be materially different from our historical income and sales tax provisions and accruals. Developments in an audit or litigation could have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. As of January 31, 2017 , certain of the Company's sales tax returns are currently under audit by state tax authorities. As of January 31, 2017 , the Company had accrued tax liabilities of $0.7 million , representing the best estimate of sales tax obligations it believes are probable to be incurred as a result of these assessments and audits. In addition, in conjunction with an open Texas state sales tax audit, the Company is challenging the taxability of certain purchases that are integral to the Company's products which may result in a sales tax refund for all years open to audit.

During the nine months ended January 31, 2017 , the Company determined that for certain forms of employee compensation, primarily equity grants, 401(k) deferrals were not being withheld as required by the Company's 401(k) plan. As a result, the

Company recorded a $0.5 million accrual representing the Company's best estimate of employer contributions the Company expects to make on behalf of its employees.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the fiscal year ended April 30, 2016 , filed on June 20, 2016. In addition to historical information, this Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements may be identified by the use of forward-looking words such as "anticipate," "believe," "may," "will," "continue," "seek," "estimate," "intend," "hope," "predict," "could," "should," "would," "project," "plan," "expect" or the negative or plural of these words or similar expressions, although not all forward-looking statements contain these words. Statements that contain these words should be read carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position, or state other forward-looking information. Factors that can cause actual results to differ materially from those reflected in the forward-looking statements include, among others, those discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended April 30, 2016 . We urge you not to place undue reliance on these forward looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable securities laws and regulations. Historical results are not necessarily indicative of the results expected for any future period.

Factors or risks that could cause our actual results to differ materially from the results we anticipate include, but are not limited to:

- our ability to develop and launch new products and the market's acceptance of such new products;
- our ability to retain clients and satisfy their obligations and needs and upsell to existing clients;
- our ability to maintain pricing for our products and services;
- our ability to attract new clients and initiate services without delays;
- our ability to increase adoption of our platforms by our clients' internal and external users;
- our ability to protect our users' information and adequately address security and privacy concerns;
- our ability to maintain an adequate rate of growth and control expenses;
- our ability to effectively execute and adapt our business model in a dynamic market;
- our ability to reduce our cost structure and improve operating efficiencies;
- our future expenses;
- our ability to expand our network;
- our ability to integrate clients, employees and operations of acquired companies into our business;
- our ability to earn revenue on ads served based on data accumulated from our network;
- our ability to timely and effectively scale and adapt our existing technology and network infrastructure;
- our plan to continue investing in long-term growth and research and development, enhancing our platforms and pursuing strategic acquisitions of complementary businesses and technologies to drive future growth;
- our ability to increase engagement of our solutions by new and existing clients, partners and professional organizations and launch those solutions without delay;
- our anticipated trends of our operating metrics and financial and operating results;
- the effects of increased competition and commoditization of products we offer, including pricing pressure, reduced profitability or loss of market share;
- our ability to successfully enter new markets and manage our international expansion and sell our products internationally;
- our ability to maintain, protect and enhance our brand and intellectual property;
- changes in accounting standards;
- the impact of the Department of Justice stipulation regarding PowerReviews on our business;
- the attraction and retention of qualified employees and key personnel; and
- our expectations regarding the outcome of litigation proceedings.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from our forward-looking statements, including those factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended April 30, 2016 and other risks and uncertainties detailed in this and our other reports and filings with the SEC. The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

Overview

Bazaarvoice was founded on the premise that the collective voice of the consumer is the most powerful marketing tool in the world. Our solutions and services allow our retailer and brand clients to understand that consumer voice and the role it plays in influencing purchasing decisions, both online and offline. Our solutions collect, curate, and display consumer-generated content including ratings and reviews, questions and answers, customer stories, and social posts, photos, and videos. This content is syndicated and distributed across our clients' marketing channels, including category/product pages, search terms, brand sites, mobile applications, in-store displays, and paid and earned advertising. This consumer-generated content enables our clients to generate more revenue, market share, and brand affinity. Our solutions are designed to empower our clients to leverage insights derived from consumer-generated content to improve marketing effectiveness, increase success of new product launches, improve existing products and services, effectively scale customer support, decrease product returns, reach consumers when actively shopping via highly targeted audience advertising, and enable retailers to launch and manage on-site advertising solutions and site monetization strategies.

For the three and nine months ended January 31, 2017 , through the continued enhancement and expansion of our social commerce platform, we achieved continued growth in our number of active clients as compared to the three and nine months ended January 31, 2016 . Our revenue was $50.5 million and $151.0 million for the three and nine months ended January 31, 2017 , which represents a 0.5% and 1.3% increase from the three and nine months ended January 31, 2016 , respectively.

As of January 31, 2017 , we had 777 full-time employees compared to 817 full-time employees as of the same date last year.

Business Model

Our business model focuses on adding new clients and maximizing the lifetime value of such client relationships. We make significant investments in acquiring new clients and believe that we will be able to achieve a favorable return on these investments by growing our relationships over time and ensuring that we have a high level of client retention.

The majority of our revenue is generated from the sale of SaaS subscriptions to our hosted social commerce solutions and related professional services. In connection with the acquisition of new clients, we incur and recognize significant upfront costs. These costs include sales and marketing costs, such as costs associated with generating client agreements, and sales commission expenses that are recognized fully in the period in which we execute a client contract. In addition, we incur implementation and other costs which are generally recognized in periods prior to recognizing revenue. We recognize SaaS subscription revenue ratably over the entire term of those contracts, which commences when the client is able to begin using our solution, and professional services revenue is recognized as the services are rendered. Although we expect each client to be profitable for us over the duration of our relationship, the costs we incur with respect to any client relationship may exceed revenue in earlier periods because we recognize those costs in advance of the recognition of revenue. As a result, an increase in the mix of new clients as a percentage of total clients will initially have a negative impact on our operating results. On the other hand, we expect that a decrease in the mix of new clients as a percentage of total clients will initially have a positive impact on our operating results. Additionally, some clients pay in advance of recognition of revenue and, as a result, our cash flow from these clients may exceed the amount of revenue recognized for those clients in earlier periods of our relationship. As we depend on third-party Internet-hosting providers to operate our business, increased computing and storage consumption by some of our customers can increase our hosting costs and impact our gross margins.

In addition, our solutions enable our clients to monetize the value of shopper data generated from our SaaS products through targeted advertising based on online and offline shopping behavior. Our Advertising revenue is generated from client campaigns that are generally executed over a one to three month timeframe.

Key Business Metrics

In addition to macroeconomic trends affecting the demand for our solutions, management regularly reviews a number of key financial and operating metrics to evaluate our business, determine the allocation of our resources, make decisions regarding corporate strategies and evaluate forward-looking projections and trends affecting our business. The following table summarizes our key business metrics for continuing operations:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
	(in thousands, except number of clients and client retention rate)			
Revenue:				
SaaS	$ 47,266	$ 47,884	$ 143,186	$ 142,385
Advertising (previously referred to as media)	3,259	2,371	7,840	6,672
Total revenue	$ 50,525	$ 50,255	$ 151,026	$ 149,057
Cash flow provided by (used in) operations	$ (1,125)	$ 7,877	$ 594	$ 14,945
Number of active SaaS clients (period end)	1,456	1,383	1,456	1,383
SaaS revenue per active client (1)	$ 33.0	$ 34.9	$ 100.3	$ 104.9
Active SaaS client retention rate (2)	96.8%	95.3%	87.2%	84.2%
Total revenue per employee (3)	$ 65.1	$ 60.1	$ 197.0	$ 181.6
SaaS Impressions (in millions)	103,259	101,511	264,212	244,314

(1) Calculated based on the average number of active SaaS clients for the three and nine month period.

(2) Calculated based on active SaaS client retention over a three and nine month period.

(3) Calculated based on the average number of full-time employees for the three and nine month period.

Revenue

SaaS revenue consists primarily of fees from the sale of subscriptions to our hosted social commerce solutions, and we generally recognize revenue ratably over the related subscription period, which is typically from one to three years. We regularly review our revenue and revenue growth rate to measure our success. We believe that trends in revenue are important to understanding the overall health of our marketplace, and we use these trends in order to formulate financial projections and make strategic business decisions.

Advertising revenue consists primarily of fees charged to advertisers when their advertisements are displayed on publishers' websites and is net of amounts paid to such publishers.

Cash Flow Provided By (Used In) Operations

Cash flow provided by operations is the cash provided by the normal course of business and is measured prior to the impact of investing or financing activities. Due to the fact that we incur a significant amount of upfront costs associated with the acquisition of new clients with revenue recognized over an extended period, we consider cash flow provided by operations to be a key measure of our operating performance.

Number of Active SaaS Clients

We define an active client as an organization with which we have a contract to provide one or more of our hosted social commerce solutions pursuant to which we are recognizing revenue as of the last day of the quarter, and we count organizations that are closely related as one active client, even if they have signed separate contractual agreements.

SaaS Revenue per Active Client

SaaS revenue per active client is calculated as SaaS revenue recognized during the period divided by the average number of active clients for the period. SaaS revenue per active client is expected to continue to decrease for the remainder of fiscal 2017, compared to fiscal 2016, as a result of increased price based competition.

Active SaaS Client Retention Rate

Active client retention rate is calculated based on the number of active clients at period end that were also active clients at the start of the period divided by the number of active clients at the start of the period. We believe that our ability to retain our active clients and expand their use of our solutions over time is a leading indicator of the stability of our revenue base and the long-term value of our client relationships.

Total Revenue per Employee

Revenue per employee is calculated as revenue recognized during the period divided by the average number of full-time employees for the period. We believe revenue per employee is a leading indicator of our productivity and operating leverage. The growth of our business is dependent on our ability to hire the talented people we require to effectively capitalize on our market opportunity and scale with growth while maintaining a high level of client service.

SaaS Impressions

We define an impression as a single online word of mouth instance delivered to an end user's web browser. We believe that in combination with our active client base, impressions delivered is an indicator of the reach of our network.

Key Components of Our Condensed Consolidated Statements of Operations

Revenue

We generate revenue principally from fixed commitment subscription contracts under which we provide clients with various services, including access to our hosted software platforms. For agreements with multiple elements, we evaluate each element in the arrangement to determine whether it represents a separate unit of accounting and recognize the allocated revenue for each unit of accounting over the respective service period. We sell these services under contractual agreements for service terms that are generally one to three years in length. Clients typically commit to fixed rate fees for the service term. Any billings that do not meet the revenue recognition criteria are recorded as deferred revenue on our balance sheet. We invoice clients on varying billing cycles, including annually, quarterly and monthly; therefore, our deferred revenue balance does not represent the total contract value of our non-cancelable subscription agreements. Fees payable under these agreements are generally due in full within 30 to 90 days of invoicing and are non-refundable regardless of the actual use of the services and contain no general rights of return. No single client accounted for more than 10% of our revenue for the three and nine months ended January 31, 2017 and 2016 .

While our historical revenue growth has been primarily driven by the sale of our core SaaS solutions, we expect increased competitive pressure and price-based competition to continue to impact our SaaS revenue and client retention rates. Future SaaS revenue growth will be dependent upon our ability to sell new subscription and advertising solutions while limiting the adverse impact of competitive pressures on revenue per client and client retention. We expect the improvements in our active SaaS client retention rate achieved to date in fiscal 2017 to have a positive impact on SaaS revenue growth in fiscal 2018. We believe advertising revenue will continue to grow as a percentage of our overall revenue mix as we continue to develop and expand our shopper advertising solutions.

Cost of Revenue

Cost of revenue consists primarily of personnel costs and related expenses associated with employees and contractors who provide our subscription services, our implementation team, our content moderation teams and other support services provided as part of the fixed commitment subscription contracts. Cost of revenue also includes professional fees, including third-party implementation support, travel-related expenses and an allocation of general overhead costs. We allocate general overhead expenses to all departments based on the number of employees in each department, which we consider to be a fair and representative means of allocation and, as such, general overhead expenses, including depreciation and facilities costs, are reflected in our cost of revenue. Personnel costs include salaries, benefits, bonuses and stock-based expense. We generally invest in increasing our capacity, particularly in the areas of implementation and support, ahead of the growth in revenue, which can result in lower margins in a given investment period.

Cost of revenue also includes hosting costs, the amortization of capitalized internal-use software development costs incurred in connection with our hosted software platforms and third-party service costs to support and retain our clients.

We intend to continue to invest resources in our client services teams and in the capacity of our hosting service infrastructure due to increases in the volume of impressions and, as we continue to invest in technology innovation through our research and development organization, we will likely see an increase in the amortization expense associated with capitalized internal-use software development. The level and timing of investment in these areas could affect our cost of revenue, both in terms of absolute dollars and as a percentage of revenue in the future.

Operating Expenses

We classify our operating expenses into five categories: sales and marketing; research and development; general and administrative; acquisition-related and other; and amortization of acquired intangible assets. In each category, our operating expenses consist primarily of personnel costs, program expenses, professional fees, travel-related expenses and an allocation of our general overhead expenses, as applicable.

Sales and marketing . Sales and marketing expenses consist primarily of personnel costs for our sales, marketing and business development employees and executives, including salaries, benefits, stock-based expense, bonuses and commissions earned by

our sales personnel. Sales and marketing also includes non-personnel costs such as professional fees, an allocation of our general overhead expenses and the costs of our marketing and brand awareness programs. Our marketing programs include our Client Summits, regional user groups, corporate communications, public relations and other brand building and product marketing expenses. We expense sales commissions when a client contract is executed. We plan to continue investing in sales and marketing by focusing our marketing efforts on direct sales support and pipeline generation, which we believe will enable us to add new clients and increase penetration within our existing client base. For fiscal 2017, we expect sales and marketing expense to decrease year over year as a percentage of revenue compared to fiscal 2016 as we gain further operating leverage and continue to improve sales and marketing productivity. Sales and marketing expense is expected to continue to be our largest operating expense for the foreseeable future.

Research and development . Research and development expenses consist primarily of personnel costs for our product development employees and executives, including salaries, benefits, stock-based expense and bonuses. Also included are non-personnel costs such as professional fees payable to third-party development resources and an allocation of our general overhead expenses. A substantial portion of our research and development efforts are focused on enhancing our software architecture and adding new features and functionality to our platforms to address social and business trends as they evolve. We expect research and development expenses as a percentage of revenue to decrease for fiscal 2017 compared to fiscal 2016.

General and administrative . General and administrative expenses consist primarily of personnel costs, including salaries, benefits, stock-based expense and bonuses for our administrative, legal, human resources, finance, accounting and information technology employees and executives. Also included are non-personnel costs, such as travel-related expenses, professional fees, bad debt expense and other corporate expenses, along with an allocation of our general overhead expenses. We will continue to incur incremental costs to meet the increased compliance requirements associated with being a public company. Those costs include increases in our accounting and legal personnel, additional consulting, legal, audit and tax fees, insurance costs, board of directors' compensation and the costs of achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act. General and administrative expenses as a percentage of revenue are expected to remain relatively consistent for fiscal 2017 compared to fiscal 2016.

Acquisition-related and other. Acquisition-related and other expenses consist of ongoing costs to comply with our obligations resulting from the divestiture of the PowerReviews business. Included in "acquisition-related and other expenses" are legal and advisory fees for the U.S. Department of Justice suit related to our acquisition of PowerReviews.

Amortization of acquired intangible assets. The amortization of acquired intangible assets represents amortization of acquired customer relationship intangible assets from FeedMagnet and Longboard Media.

Restructuring charges. In February 2016, we made the decision to suspend sales of our BV Local product, reduce our cost structure to improve operating efficiencies and align resources with our growth strategies. Costs associated with these restructuring activities include workforce reductions charges, and facilities charges related to the loss recorded on the sub-lease of excess office space at our headquarters. We do not expect to record any additional significant charges related to this restructuring.

Other Income (Expense), Net

Other income (expense) consists primarily of interest income, interest expense related to our revolving line of credit, foreign exchange gains and losses and the resulting gain or loss from foreign exchange contracts. Interest income represents interest received on our cash and short-term investments. Foreign exchange gains and losses arise from revaluations of foreign currency denominated monetary assets and liabilities and are partially offset by the change in market value of our foreign exchange contracts.

Income Tax Expense (Benefit)

As a result of our current net operating loss position in the United States, income tax expense consists primarily of corporate income taxes resulting from profits generated in foreign jurisdictions by wholly-owned subsidiaries, along with state income taxes payable in the United States. We expect our income tax expense to increase in the future if we become profitable both in the United States and in foreign jurisdictions.

Results of Operations

The following tables set forth our results of operations for the specified periods. The period-to-period comparisons of results of operations are not necessarily indicative of results for future periods.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
Revenue	$ 50,525	$ 50,255	$ 151,026	$ 149,057
Cost of revenue [(1)]	19,196	18,920	56,807	57,614
Gross profit	31,329	31,335	94,219	91,443
Operating expenses:				
Sales and marketing [(1)]	16,322	16,113	47,445	51,781
Research and development [(1)]	9,588	10,199	30,620	31,086
General and administrative [(1)]	7,299	6,940	23,609	22,821
Restructuring charges	—	—	1,094	—
Acquisition-related and other	84	332	380	1,258
Amortization of acquired intangible assets	309	309	928	928
Total operating expenses	33,602	33,893	104,076	107,874
Operating loss	(2,273)	(2,558)	(9,857)	(16,431)
Total other expense, net	(332)	(719)	(1,760)	(1,906)
Loss before income taxes	(2,605)	(3,277)	(11,617)	(18,337)
Income tax expense (benefit)	123	(163)	350	(127)
Net loss	$ (2,728)	$ (3,114)	$ (11,967)	$ (18,210)
Other Financial Data:				
Adjusted EBITDA [(2)]	$ 5,313	$ 5,048	$ 14,387	$ 6,801

(1)

Includes stock-based expense as follows:				
Cost of revenue	$ 475	$ 585	$ 1,305	$ 1,664
Sales and marketing	850	686	2,273	2,413
Research and development	867	786	2,827	2,227
General and administrative	1,797	1,705	5,767	5,180

(2) During the first quarter of fiscal 2017, we updated our definition of Adjusted EBITDA to enhance comparability between ourselves and our peers. We define Adjusted EBITDA as generally accepted accounting principles ("GAAP") net loss from continuing operations adjusted for stock-based expense (net of capitalized stock-based compensation related to development of internal-use software), contingent consideration related to acquisitions, depreciation and amortization (including amortization of capitalized internal-use software development costs), restructuring charges, integration and other costs related to acquisitions, other non-business costs and benefits, income tax expense and other (income) expense, net. Our prior definition of Adjusted EBITDA excluded amortization of capitalized internal-use software development costs from adjusted depreciation and amortization and included capitalized stock-based compensation in stock-based expense. All prior periods have been revised to conform to the current period definition of Adjusted EBITDA.

The following table presents a reconciliation of Adjusted EBITDA as previously defined to Adjusted EBITDA under the updated definition:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
Adjusted EBITDA, previous definition	$ 3,259	$ 3,075	$ 8,247	$ 941
Add: Amortization of capitalized internal-use software development costs	2,173	2,103	6,505	6,226
Less: Capitalized portion of stock-based compensation	(119)	(130)	(365)	(366)
Adjusted EBITDA, current definition	$ 5,313	$ 5,048	$ 14,387	$ 6,801

Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP and should not be considered as an alternative to net loss or income, operating loss or income or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate Adjusted EBITDA in the same manner. We prepare Adjusted EBITDA to eliminate the impact of certain non-cash charges and items that we do not consider indicative of our core operating performance. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate.

We believe Adjusted EBITDA is useful to investors in evaluating our operating performance for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items, such as stock-based expense, depreciation and amortization, acquisition costs, income tax expense and other income, net, that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance;
- Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP operating results; and
- Our investor and analyst presentations include Adjusted EBITDA as a supplemental measure to evaluate our overall operating performance.

We understand that although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include:

- Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; Adjusted EBITDA does not reflect any cash requirements for these replacements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of net loss, the most comparable GAAP measure, to Adjusted EBITDA for each of the periods indicated:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
GAAP net loss	$ (2,728)	$ (3,114)	$ (11,967)	$ (18,210)
Stock-based expense	3,989	3,762	12,172	11,484
Depreciation and amortization	3,513	3,512	10,623	10,490
Restructuring charges	—	—	1,094	—
Acquisition-related and other expense	84	332	380	1,258
Other stock-related benefit [(1)]	—	—	(25)	—
Income tax expense	123	(163)	350	(127)
Total other expense, net	332	719	1,760	1,906
Adjusted EBITDA	$ 5,313	$ 5,048	$ 14,387	$ 6,801

(1) Other stock-related benefit represents estimated liabilities for taxes and related items in connection with the treatment of certain equity grants. Since the estimated liability directly relates to equity grants and as stock-based expenses are consistently excluded from the Company's non-GAAP financial measures, the Company excluded these estimated liabilities in determining Adjusted EBITDA. During the nine months ended January 31, 2017, the Company recorded a benefit of $0.5 million due to a reduction in previously recorded estimated tax liabilities that have exceeded the statute of limitations. This benefit was partially offset by a $0.5 million liability related to estimated employer contributions the Company expects to make on behalf of its employees related to 401(k) deferrals on employee stock-based compensation.

The following table sets forth our results of operations for the specified periods as a percentage of revenue. The period-to-period comparisons of results are not necessarily indicative of results for future periods.

Consolidated Statements of Operations Data:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue [(1)]	38.0	37.6	37.6	38.7
Gross profit	62.0	62.4	62.4	61.3
Operating expenses:				
Sales and marketing [(1)]	32.3	32.1	31.4	34.7
Research and development [(1)]	19.0	20.3	20.3	20.9
General and administrative [(1)]	14.4	13.8	15.6	15.3
Restructuring charges	—	—	0.7	—
Acquisition-related and other	0.2	0.7	0.3	0.8
Amortization of acquired intangible assets	0.6	0.6	0.6	0.6
Total operating expenses	66.5	67.5	68.9	72.3
Operating loss	(4.5)	(5.1)	(6.5)	(11.0)
Total other expense, net	(0.7)	(1.4)	(1.2)	(1.3)
Loss before income taxes	(5.2)	(6.5)	(7.7)	(12.3)
Income tax expense (benefit)	0.2	(0.3)	0.2	(0.1)
Net loss	(5.4)%	(6.2)%	(7.9)%	(12.2)%
Other Financial Data:				
Adjusted EBITDA	10.5 %	10.0 %	9.5 %	4.6 %
(1) Includes stock-based expense as follows:				
Cost of revenue	0.9 %	1.2 %	0.9 %	1.1 %
Sales and marketing	1.7 %	1.4 %	1.5 %	1.6 %
Research and development	1.7 %	1.6 %	1.9 %	1.5 %
General and administrative	3.6 %	3.4 %	3.8 %	3.5 %

Comparison of the Three Months Ended January 31, 2017 and 2016

Revenue

	Three Months Ended January 31,		
	2017	2016	% Change
		(dollars in thousands)	
Revenue	$ 50,525	$ 50,255	0.5%

Our revenue increased $0.3 million , or 0.5% , for the three months ended January 31, 2017 compared to the three months ended January 31, 2016 . The increase in revenue consisted of a $0.9 million , or 37%, increase in Advertising revenue partially offset by a $0.6 million , or 1%, decrease in SaaS revenue.

The $0.6 million decrease in SaaS revenue, consisted primarily of a $3.9 million decrease in revenue from our existing active client base compared to the three months ended January 31, 2016 , partially offset by a $3.3 million increase in revenue generated from new launches of active clients utilizing our platform and solutions since the prior year period. The decrease in revenue from our existing active client base was primarily a result of lower revenue per existing active client due to increased competitive pressure that has led to intensified price-based competition. SaaS revenue per active client (in thousands) was $33.0 for the three months ended January 31, 2017 compared to SaaS revenue per active client (in thousands) of $34.9 for the three months ended January 31, 2016 . For the three months ended January 31, 2017 our active client retention rate was 96.8% compared to an active client retention rate of 95.3% for the three months ended January 31, 2016 . Our client retention rates can be impacted due to a variety of reasons including, but not limited to, non-renewals and the cyclical and discretionary nature of marketing and advertising spending of our clients.

Advertising revenue increased $0.9 million as we continue to see increased demand for our shopper advertising solutions driven by campaigns for new clients and growth in expenditures from existing clients.

Cost of Revenue and Gross Profit Percentage

	Three Months Ended January 31,		
	2017	2016	% Change
		(dollars in thousands)	
Cost of revenue	$ 19,196	$ 18,920	1.5 %
Gross profit	31,329	31,335	—
Gross profit percentage	62.0%	62.4%	

Cost of revenue increased $0.3 million , or 1.5% , for the three months ended January 31, 2017 compared to the three months ended January 31, 2016 . The increase in cost of revenue was primarily due to a $0.3 million increase in advertising platform technology fees and a $0.4 million increase in variable bonus due to increased client retention. This increase was partially offset by a decrease in personnel-related costs resulting from headcount reductions related to the Company's restructuring activities which began in the fourth quarter of fiscal 2016 (see "Restructuring Costs" in the "Overview" section above and Note 6 to our consolidated financial statements for further discussion).

Operating Expenses

	Three Months Ended January 31,				
	2017		2016		
	Amount	% of Revenue	Amount	% of Revenue	% Change
			(dollars in thousands)		
Sales and marketing	$ 16,322	32.3%	$ 16,113	32.1%	1.3 %
Research and development	9,588	19.0	10,199	20.3	(6.0)
General and administrative	7,299	14.4	6,940	13.8	5.2
Acquisition-related and other	84	0.2	332	0.7	(74.7)
Amortization of acquired intangible assets	309	0.6	309	0.6	—
Total operating expenses	$ 33,602	66.5%	$ 33,893	67.5%	(0.9)%

Sales and marketing . Sales and marketing expenses increased by $0.2 million , or 1.3% , for the three months ended January 31, 2017 compared to the same period in 2016 primarily as a result of a sales tax benefit recorded during the three months ended January 31, 2016 as a result of a favorable sales tax ruling in Michigan related to sales tax on SaaS products.

Research and development . Research and development expenses decreased by $0.6 million , or 6.0% , for the three months ended January 31, 2017 compared to the same period in 2016 primarily as a result of decreased personnel-related expenses resulting from restructuring related headcount reductions (see "Restructuring Costs" in the "Overview" section above and Note 6 to our consolidated financial statements for further discussion).

General and administrative . General and administrative expenses increased $0.4 million, or 5.2%, for the three months ended January 31, 2017 compared to the same period in 2016 primarily as a result of a reduction in bad debt recovery. During the three months ended January 31, 2016 the Company recovered $0.3 million of bad debt expense that was previously written-off as a result of improved receivables collections efforts.

Acquisition-related and other. Acquisition-related and other consists primarily of legal and other advisory expenditures incurred to comply with our ongoing obligations from the divestiture of PowerReviews. These costs continue to decrease as our remaining obligations from the divestiture wind down.

Amortization of acquired intangibles. Amortization for acquired intangible assets remained constant at $0.3 million for the three months ended January 31, 2017 and 2016 . Amortization of acquired intangible assets represents amortization of acquired customer relationship intangible assets from FeedMagnet and Longboard Media.

Other Expense, Net

	Three Months Ended January 31,				
	2017		2016		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Interest income	$ 150	0.3 %	$ 124	0.2 %	21.0 %
Interest expense	(450)	(0.9)	(596)	(1.2)	(24.5)
Other expense	(32)	(0.1)	(247)	(0.4)	(87.0)
Total other expense, net	$ (332)	(0.7)%	$ (719)	(1.4)%	(53.8)%

Total other expense, net, decreased by $0.4 million for the three months ended January 31, 2017 compared to the same period in 2016 primarily as a result of a decrease in losses on transactions in foreign currencies, net of foreign currency hedges.

Income Tax Expense

	Three Months Ended January 31,				
	2017		2016		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Income tax expense (benefit)	$ 123	0.2%	$ (163)	(0.3)%	(175.5)%

Income tax expense increased by $0.3 million during three months ended January 31, 2017 compared to the same period in 2016 primarily due to a decrease in research and development credits provided by the State of Texas recognized during the current period.

Comparison of the Nine Months Ended January 31, 2017 and 2016

Revenue

	Nine Months Ended January 31,		
	2017	2016	% Change
	(dollars in thousands)		
Revenue	$ 151,026	$ 149,057	1.3%

Our revenue increased by $2.0 million , or 1.3% , for the nine months ended January 31, 2017 compared to the nine months ended January 31, 2016 . Included in this increase in revenue was an increase in Advertising revenue of $1.2 million and an increase in SaaS revenue of $0.8 million.

The $0.8 million increase in SaaS revenue consisted of $10.7 million generated from new launches of active clients utilizing our platform and solutions since the prior year period, partially offset by a $9.9 million decrease in revenue from our existing active client base compared to the nine months ended January 31, 2016 . The decrease in revenue from our existing active client base was primarily a result of lower revenue per existing active client due to increased competitive pressure that has led to intensified price-based competition. SaaS revenue per active client (in thousands) was $100.3 for the nine months ended January 31, 2017 compared to SaaS revenue per active client (in thousands) of $104.9 for the nine months ended January 31, 2016 . For the nine months ended January 31, 2017 our active client retention rate improved to 87.2% compared to an active client retention rate of 84.2% for the nine months ended January 31, 2016 , due to continued improvements in processes to enhance client satisfaction. Our client retention rates can be impacted due to a variety of reasons including, but not limited to, non-renewals and the cyclical and discretionary nature of marketing and advertising spending of our client.

Advertising revenue increased $1.2 million, or 18%, as we continue to see increased demand for our shopper advertising solutions driven by campaigns for new clients and growth in expenditures from existing clients.

Cost of Revenue and Gross Profit Percentage

	Nine Months Ended January 31,		
	2017	2016	% Change
	(dollars in thousands)		
Cost of revenue	$ 56,807	$ 57,614	(1.4)%
Gross profit	94,219	91,443	3.0
Gross profit percentage	62.4%	61.3%	

Cost of revenue decreased $0.8 million , or 1.4% , for the nine months ended January 31, 2017 compared to the nine months ended January 31, 2016 . The decrease in cost of revenue was primarily due to a decrease in personnel-related costs of $1.6 million resulting from headcount reductions related to the Company's restructuring activities which began in the fourth quarter of fiscal 2016 (see "Restructuring Costs" below and Note 6 to our consolidated financial statements for further discussion). This decrease was partially offset $0.5 million in increased advertising platform technology fees as we expand our advertising business and a $0.3 million increase in variable commissions due to increased client retention.

Operating Expenses

	Nine Months Ended January 31,				
	2017		2016		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Sales and marketing	47,445	31.4%	51,781	34.7%	(8.4)%
Research and development	30,620	20.3%	31,086	20.9%	(1.5)
General and administrative	23,609	15.6%	22,821	15.3%	3.5
Restructuring charges	1,094	0.7%	—	—%	100.0
Acquisition-related and other	380	0.3%	1,258	0.8%	(69.8)
Amortization of acquired intangible assets	928	0.6%	928	0.6%	—
Total operating expenses	$ 104,076	68.9%	$ 107,874	72.3%	(3.5)%

Sales and marketing . Sales and marketing expenses decreased by $4.3 million , or 8.4% , for the nine months ended January 31, 2017 compared to the same period in 2016 . The decrease in sales and marketing expenses is primarily related to a $3.4 million reduction in personnel-related expenses primarily as a result of a decrease in headcount related to the cessation of sales and marketing operations in our APAC offices, our restructuring activities initiated in February of fiscal 2016 and general sales efficiencies. In addition, travel related expenses decreased $0.7 million and corporate event expenses decreased $0.9 million. This decrease was partially offset by increased professional services and other corporate expenses of $0.7 million.

Research and development . Research and development expenses decreased by $0.5 million, or 1.5%, for the nine months ended January 31, 2017 compared to the same period in 2016 as a result of decreased personnel-related expenses related primarily to restructuring related headcount reductions (see "Restructuring Costs" in the "Overview" section above and Note 6 to our consolidated financial statements for further discussion).

General and administrative . General and administrative expenses increased $0.8 million , or 3.5% , for the nine months ended January 31, 2017 compared to the same period in 2016 primarily as a result of a $1.2 million increase related to increased stock-

based compensation and bonus expense. This increase was partially offset by a $0.4 million reduction in office equipment and other corporate expenses. In addition, during the nine months ended January 31, 2017 , the Company recorded a benefit of $0.5 million due to a reduction in previously recorded estimated tax liabilities that have exceeded the statute of limitations. This benefit was partially offset by a $0.5 million liability related to estimated employer contributions the Company expects to make on behalf of its employees related to 401(k) deferrals on employee stock-based compensation.

Restructuring charges. In February 2016 we made the decision to suspend sales of our BV Local product, reduce our cost structure to improve operating efficiencies and align resources with our growth strategies. As a result of these restructuring activities, during the fourth quarter of fiscal 2016 the Company reduced global headcount by approximately 6%. See Note 6, Restructuring Charges, to the Consolidated Financial Statements for further discussion regarding our restructuring activities. Restructuring charges for the nine months ended January 31, 2017 , consisted primarily of impairment charges on leasehold improvements and furniture incurred as a result of the Company entering into a sub-lease for its San Fransisco office during the second quarter of fiscal 2017 and workforce reductions charges.

Acquisition-related and other. Acquisition-related and other consists primarily of legal and other advisory expenditures incurred to comply with our ongoing obligations from the divestiture of PowerReviews. These costs continue to decrease as our remaining obligations from the divestiture wind down.

Amortization of acquired intangibles. Amortization for acquired intangible assets stayed relatively constant at $0.9 million during the nine months ended January 31, 2017 and 2016 . Amortization of acquired intangible assets represents amortization of acquired customer relationship intangible assets from FeedMagnet and Longboard Media.

Other Expense, Net

	Nine Months Ended January 31,				
	2017		2016		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Interest income	$ 445	0.3 %	$ 275	0.1 %	61.8 %
Interest expense	(1,398)	(0.9)%	(1,628)	(1.1)%	(14.1)
Other expense	(807)	(0.6)%	(553)	(0.3)%	45.9
Total other expense, net	$ (1,760)	(1.2)%	$ (1,906)	(1.3)%	(7.7)%

Total other expense, net, decreased by $0.1 million for the nine months ended January 31, 2017 compared to the same period in 2016 primarily as a result of losses on transactions in foreign currencies, net of foreign currency hedges, decreased approximately $0.1 million during the nine months ended January 31, 2017 .

Income Tax Expense

	Nine Months Ended January 31,				
	2017		2016		
	Amount	% of Revenue	Amount	% of Revenue	% Change
	(dollars in thousands)				
Income tax expense (benefit)	$ 350	0.2%	$ (127)	(0.1)%	(375.6)%

Income tax expense increased by $0.5 million during the nine months ended January 31, 2017 compared to the same period in 2016 due to an increase in taxes due in foreign jurisdictions and Texas franchise taxes and as a result of a decrease in research and development credits provided by the State of Texas recognized during the current period.

Liquidity and Capital Resources

Our principal source of liquidity at January 31, 2017 consisted of $83.5 million of cash and cash equivalents and short term investments. Cash and cash equivalents consist of cash, money market funds, commercial paper, corporate bonds and certificates of deposit. Our short-term investments consist of certificates of deposit, municipal bonds, commercial paper, U.S. Treasury notes and bonds that are a guaranteed obligation of the U.S. Government, corporate notes and corporate bonds. As of January 31, 2017 , the amount of cash and cash equivalents held by foreign subsidiaries was $6.1 million. If these funds are needed for our domestic operations, we would be required to accrue and pay U.S. taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside the U.S. and our current plans do not demonstrate a need to repatriate them to fund our domestic operations. We do not provide for federal income taxes on the undistributed earnings of our foreign subsidiaries.

On July 18, 2007, the Company entered into a loan and security agreement with Comerica Bank which was most recently amended and restated on November 21, 2014. The Amended and Restated Credit Facility (the "Credit Facility") provides for a secured, revolving line of credit of up to $70.0 million , with a sublimit of $3.0 million for the incurrence of swingline loans and a sublimit of $15.0 million for the issuance of letters of credit. Availability under the Credit Facility was $23.1 million as of January 31, 2017 . The Company had letters of credit outstanding of $9.9 million as of January 31, 2017 . The Credit Facility expires on November 21, 2017 with all advances immediately due and payable. During the nine months ended January 31, 2017 the Company paid $5.0 million on the balance outstanding under its Credit Facility, reducing the Company's outstanding debt to $37.0 million.

Our principal needs for liquidity include working capital requirements to fund our operations, capital expenditures, repaying our outstanding revolving line of credit and acquisitions. We intend to renew our Credit Facility prior to its expiration in November 2017. We believe that our available resources are sufficient to fund our liquidity requirements for at least the next 12 months regardless of when the Company renews its Credit Facility.

Our future capital requirements will depend on many factors, including our rate of client and revenue growth, the expansion of our sales and marketing activities, the timing and extent of spending to support product development efforts, the timing of introductions of new features and enhancements to our social commerce solutions and future acquisitions of, or investments in, complementary businesses and technologies. The timing, frequency, and pattern of our billing mix can also impact our operating cash flows. To the extent that existing cash, cash equivalents and short-term investments along with future cash flow from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

We typically invoice our new and existing SaaS business clients for our subscription services in a varying mix of frequencies such as; monthly, quarterly, semiannual and annual billings. Bookings and therefore billings for our SaaS business are typically higher in the second half of our fiscal year while billings for our advertising business typically increase significantly during the holiday season. These factors typically result in an increase in our accounts receivable balance. Similarly, increases in new client launches lead to increased billings, which in turn also increases our accounts receivable balance. The operating cash flow benefit of increased billing activity generally occurs in the subsequent quarters when we collect from our clients.

Days sales outstanding ("DSO") is calculated by dividing period end accounts receivable by average daily sales for the fiscal quarter. DSO was 94 days for the three months ended January 31, 2017 compared to 72 days for the three months ended January 31, 2016 . Accounts receivable increased primarily as a result of an increase in the mix of annual and semi-annual billings during the three months ended January 31, 2017 .

Our DSO fluctuates from period to period and year over year, primarily due to the seasonal nature of our new bookings and related renewals, the seasonal nature of our advertising business and the frequency of our customer billings which vary throughout the fiscal year. These trends result in changes in accounts receivable balances that are different than our revenue growth trends. Although period end accounts receivable fluctuates because of these factors, the average daily sales for the period do not because we recognize revenue ratably over the terms of our customer contracts. Accordingly, our average daily sales are not influenced by factors such as seasonality, billing frequency and billing timing.

The following table summarizes our cash flows for the periods indicated (including cash flows from discontinued operations):

	Nine Months Ended January 31,	
	2017	2016
	(in thousands)	
Net cash provided by operating activities	$ 594	$ 14,945
Net cash used in investing activities	(1,743)	(13,371)
Net cash provided by (used in) financing activities	(3,703)	2,777

Net Cash Provided by Operating Activities

Net cash provided by operating activities is primarily influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business, the increase in the number of clients using our platforms and the amount and timing of client payments.

For the nine months ended January 31, 2017 , operating activities provided $0.6 million of cash after changes in our operating assets and liabilities, offsetting a net loss of $12.0 million . The net loss included non-cash depreciation and amortization of $10.6 million , non-cash stock-based expense of $12.2 million , non-cash charges of $0.5 million related to the Company's loss on the sublease of its San Francisco office parially offset by other non-cash items of $0.2 million. Cash decreased $10.5 million as a result of a $11.7 million increase in operating assets partially offset by a $1.2 million increase in operating liabilities. The $11.7 million increase in operating assets was primarily related to an increase in accounts receivable due to an increase in annual and semi-annual billings. The $1.2 million increase in operating liabilities was primarily related to a $8.5 million increase in deferred revenue related to an increase in annual and semi-annual billings, partially offset by a reduction in accrued liabilities and accounts payable.

For the nine months ended January 31, 2016, operating activities provided $14.8 million of cash after changes in our operating assets and liabilities, offsetting a net loss of $18.2 million. The net loss includes non-cash depreciation and amortization of $10.5 million and non-cash stock-based expense of $11.5 million. Cash increased $11.1 million as a result of a $9.2 million reduction in operating assets and a $1.9 million increase in operating liabilities. The $9.2 million reduction in operating assets was primarily driven by a decrease in accounts receivable as a result of improved collections and a lower mix of advertising billings. The $1.9 million increase in operating liabilities is primarily related to a $5.1 million increase in other liabilities primarily as a result of increased deferred tenant improvement allowance and deferred rent related to our new corporate headquarters and an increase of $2.0 million in accounts payable and deferred revenue, partially offset by a decrease in accrued expenses and other current liabilities of $5.2 million.

Net Cash (Used in) Investing Activities

Our primary investing activities have consisted of acquisitions, purchases of short-term investments and property and equipment, including technology hardware and software to support our growth as well as costs capitalized in connection with the development of our internal-use hosted software platform. Purchases of property and equipment may vary from period to period due to the timing of the expansion of our operations and the development cycles of our internal-use hosted software platform. We expect to continue to invest in short-term investments, property and equipment and developing our software platform for the foreseeable future.

For the nine months ended January 31, 2017 , investing activities used $1.7 million , which was primarily the result of $36.9 million in purchases of short term investments and $7.0 million in purchases of property, equipment and capitalized internal-use software development costs, partially offset by proceeds from maturities of short-term investments of $42.2 million.

For the nine months ended January 31, 2016, investing activities used $13.4 million, which was primarily the result of $53.4 million in purchases of short term investments and $19.5 million in purchases of property, equipment and capitalized internal-use software development costs, partially offset by proceeds from maturities of short-term investments of $55.0 million and proceeds of $4.5 million from the release of escrow funds associated with the sale of the PowerReviews business.

Net Cash Provided by (Used in) Financing Activities

Our financing activities have consisted primarily of borrowings under our line of credit, net proceeds from the issuance of common stock and proceeds from the exercises of options to purchase common stock.

For the nine months ended January 31, 2017 , financing activities used $3.7 million related to a $5.0 million payment made on the balance outstanding under the Company's Credit Facility and $0.2 million related to the exercise of stock options, partially offset by net contributions to the Company's Employee Stock Purchase Plan of $1.5 million.

For the nine months ended January 31, 2016, financing activities provided $2.8 million due to net contributions of $1.9 million to our Employee Stock Purchase Plan and proceeds of $0.9 million related to the exercise of options.

Contractual Obligations and Commitments

There have been no material changes to the contractual obligations table included in our Annual Report on Form 10-K for the year ended April 30, 2016 , filed with the SEC on June 20, 2016.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and the Use of Estimates

Preparation of our condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We believe the most complex and sensitive judgments, because of their significance to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016 , filed on June 20, 2016 describe the significant accounting estimates and policies used in the preparation of our condensed consolidated financial statements. Actual results in these areas could differ from management's estimates. With the exception of the addition of the Company's goodwill impairment policy as disclosed below, during the nine months ended January 31, 2017 , there were no significant changes in our critical accounting policies or estimates from those reported in our Annual Report on Form 10-K for the fiscal year ended April 30, 2016 , filed on June 20, 2016.

Goodwill Impairment

In accordance with ASC Topic 350, "Intangibles-Goodwill and Other", we evaluate goodwill for impairment annually in the fourth fiscal quarter, or more frequently if indicators of potential impairment arise, using the two-step method. Conditions that could trigger a more frequent impairment assessment include, but are not limited to, a significant adverse change in customer demand or business climate, significant underperformance relative to historical or projected future operating results, a significant reduction in our stock price for a sustained period or a reduction of our market capitalization relative to the carrying value.

We perform step one of our test for impairment of goodwill by estimating and comparing the fair value of the Company's single reporting unit to its carrying value as of that date. We estimate fair value of our single reporting unit using a market approach, which includes consideration of the Company's market capitalization. If the fair value of our single reporting unit is less than its carrying value, we perform the second step of the test for impairment of goodwill in which we compare the implied fair value of our reporting unit's goodwill with the carrying value of that goodwill. The estimate of implied fair value of goodwill may require estimated fair values of individual assets and liabilities of the reporting unit, together with an estimate of the fair value of the reporting unit taken as a whole. If the carrying value of the goodwill exceeds the calculated implied fair value, the excess amount will be recognized as an impairment loss.

The estimates we make in determining the fair value of our reporting unit involve the application of judgment, which could affect the timing and size of any future impairment charges. No goodwill impairment charges were recorded for any of the periods presented.

Recent Accounting Pronouncements

Simplifying the Accounting for Goodwill Impairment

In January 2017, the FASB issued Accounting Standards Update 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment," ("ASU 2017-04"), which removes step two of the two-step quantitative goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be calculated as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted, and applied prospectively. We do not expect ASU 2017-04 to have a material impact on our consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued Accounting Standards Update 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," ("ASU 2016-15") to clarify and provide specific guidance on eight cash flow classification issues that are not addressed by current GAAP and thereby reduce the current diversity in practice. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and requires retrospective adoption. We do not expect the adoption to have a material impact on our consolidated financial statements and may consider early adoption, which is permitted in any interim or annual period.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued Accounting Standards Update 2016-09, "Improvements to Employee Share-Based Payment Accounting," (“ASU 2016-09”) which requires excess tax benefits and tax deficiencies to be recorded in the income statement. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also allows entities to repurchase more of an employee’s shares for tax withholding purposes without triggering liability accounting, clarifies that all cash payments made on an employee’s behalf for withheld shares should be presented as a financing activity on the cash flow statement, and provides an accounting policy election to account for forfeitures as they occur. The standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and early adoption is permitted. We do not expect the adoption to have a material impact on our consolidated financial statements

Leases (Topic 842)

In February 2016, the FASB issued Accounting Standards Update 2016-02, “Leases (Topic 842),” (“ASU 2016-02”) which requires that lessees recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The standard must be adopted using a modified retrospective approach and early adoption is permitted. As a result of this new standard, we expect to record a lease commitment liability and corresponding asset for most of our leases. We are currently evaluating the full impact the adoption of ASU 2016-02 will have on our consolidated financial statements.

Intangibles – Goodwill and Other – Internal Use Software

In April 2015, the FASB issued accounting Standards Update 2015-05, “Intangible-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement,” (“ASU 2015-05”) which provides guidance to customers with cloud computing arrangements that include a software license. If a cloud computing arrangement includes a software license, the customer is required to account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 does not change the accounting for a customer’s accounting for service contracts. As a result of the ASU 2015-05, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The standard allows for retrospective or prospective adoption. We adopted this updated guidance effective fiscal year 2017. Adoption of this guidance did not have a material impact on our consolidated results of operations, financial position or liquidity.

Presentation of Financial Statements – Going Concern (Subtopic 205-40)

In August 2014, the FASB issued Accounting Standards Update 2014-15, “Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entities Ability to Continue as a Going Concern,” (“ASU 2014-15”) which sets forth management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity’s ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. The updated guidance will be effective for annual periods ending after December 15, 2016 with early adoption permitted. The updated guidance will be effective for the fiscal year ending April 30, 2017 and is not expected to have a material impact on our consolidated financial statements.

Revenue

In May 2014, the FASB issued Accounting Standards Update 2014-09, “Revenue from Contracts with Customers,” (“ASU 2014-09”) which provides updated, comprehensive revenue recognition guidance for contracts with customers, including a new principles-based five step framework that eliminates much of the industry-specific guidance in current accounting literature. Under ASU 2014-09, revenue recognition is based on a core principle that companies recognize revenue in an amount consistent with the consideration it expects to be entitled to in exchange for the transfer of goods or services. The standards update also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of recognized revenue. Since ASU 2014-09 was issued, several additional ASUs have been issued and incorporated within FASB Accounting Standards Codification 606 ("ASC 606") to clarify various elements of the guidance, including Accounting Standards Update 2015-14, "Revenue from Contracts with Customers," ("ASU 2015-14") which defers the effective date of ASU 2014-09 by one year. In accordance with the deferral, updated guidance will be effective for our fiscal year ending April 30, 2019, including interim periods within that reporting period. Early adoption is permitted for annual periods beginning after December 15, 2016, the original effective date of ASU 2014-09. We are in the process of assessing the adoption methodology, which allows the amendment to be applied retrospectively to each prior period presented, or with the cumulative effect recognized as of the date of initial application. While we are still evaluating

the full impact of the pending adoption of ASU 2014-09 and related amendments on our consolidated financial statements, we have identified certain anticipated impacts based on our preliminary review of the standard. Specifically, under the new standard we will be required to capitalize certain sales commissions that are directly related to the acquisition of customers, which we currently expense. In addition, we have identified certain contract specific terms for which the timing of revenue recognition may be impacted by the new standard.

We have reviewed other new accounting pronouncements that were issued as of January 31, 2017 and do not believe these pronouncements are applicable to the Company, or that they will have a material impact on our financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and internationally and we are exposed to market risks in the ordinary course of our business, including the effect of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Interest Rate Sensitivity

We hold cash, cash equivalents and short-term investments for working capital purposes. We do not have material exposure to market risk with respect to these investments. We do not use derivative financial instruments for speculative or trading purposes; however, we may adopt specific hedging strategies in the future. Any declines in interest rates will reduce future interest income.

Foreign Currency Risk

Our results of operations and cash flows are subject to fluctuations because of changes in foreign currency exchange rates, particularly changes in exchange rates between the U.S. dollar and the Euro and British Pound, the currencies of countries where we currently have our most significant international operations. On a historical basis, invoicing has largely been denominated in U.S. dollars; however; we expect an increasing proportion of our future business to be conducted in currencies other than U.S. dollars. Our expenses are generally denominated in the currencies of the countries in which our operations are located, with our most significant operations at present located in the United States, the United Kingdom, Germany, France, Australia and Sweden.

We assess the market risk of changes in foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact on earnings of a hypothetical 10% change in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities. The effect of an immediate 10% adverse change in exchange rates on foreign currency denominated monetary assets and liabilities, principally accounts receivable and intercompany balances, as of January 31, 2017 , would be immaterial.

We have entered into forward exchange contracts to partially hedge our exposure to these foreign currencies. We do not enter into any derivative financial instruments for trading or speculative purposes. We may enter into additional forward exchange contracts to further contain our exposure to foreign currencies fluctuations. To date, we have hedged against some of the fluctuations in currency exchange rates, however fluctuations in exchange rates could materially impact our operating results in the future.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could have a material impact on our business, financial condition and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of January 31, 2017 . The term “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of January 31, 2017 .

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended January 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended April 30, 2016 and in Part II, Item 1A. "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended July 31, 2016. If any of such risks and uncertainties actually occurs, our business, financial condition or operating results could differ materially from the plans, projections and other forward-looking statements included in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report and in our other public filings. There have been no material changes from the risk factors previously disclosed in the Company's Form 10-K for the year ended April 30, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 6. Exhibits

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

	BAZAARVOICE, INC.
Dated: March 1, 2017	/s/ James R. Offerdahl
	James R. Offerdahl
	Chief Financial Officer
	(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation, as currently in effect	S-1	333-176506	3.1	August 26, 2011
3.2	Amended and Restated Bylaws, as currently in effect	S-1	333-176506	3.2	August 26, 2011
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema Document				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				

* Filed herewith.

** Furnished herewith.

Exhibit 31.1

CERTIFICATION PURSUANT TO RULES 13A-14(A) AND 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gene Austin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bazaarvoice, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 1, 2017

/s/ Gene Austin

Gene Austin
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULES 13A-14(A) AND 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James R. Offerdahl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bazaarvoice, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 1, 2017

/s/ James R. Offerdahl

James R. Offerdahl
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bazaarvoice, Inc. (the "Company") on Form 10-Q for the period ended January 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gene Austin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2017

/s/ Gene Austin

Gene Austin
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Bazaarvoice, Inc. (the “Company”) on Form 10-Q for the period ended January 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James R. Offerdahl Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2017

/s/ James R. Offerdahl

James R. Offerdahl
Chief Financial Officer
(Principal Financial Officer)