

Answers CORP
Form 10-Q
August 11, 2010

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

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: 001-32255

ANSWERS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

98-0202855
(I.R.S. Employer Identification No.)

237 West 35th Street, Suite 1101, New York, New York
(Address of principal executive offices)

10001
(Zip Code)

(646) 502-4777
(Registrant's telephone number)

(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 during

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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. (Check one):

Large accelerated Filer

Accelerated filer

Non-accelerated filer

Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No x

The number of the registrant's shares of common stock outstanding was 7,961,647 as of August 9, 2010.

ANSWERS CORPORATION

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INTRODUCTORY NOTE

This Report on Form 10-Q for Answers Corporation (“Answers” or the “Company”) may contain forward-looking statements. You can identify these statements by forward-looking words such as “may,” “will,” “expect,” “intend,” “anticipat

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"believe," "estimate" and "continue" or similar words. Forward-looking statements include information concerning possible or assumed future business success or financial results. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties, which are discussed in other sections of this Form 10-Q and in our other filings with the Securities and Exchange Commission. These risks and uncertainties could cause actual results or events to differ materially from the forward-looking statements that we make.

Although, there may be events in the future that we are not able to accurately predict or control, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future. Accordingly, to the extent that this Form 10-Q contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that Answers' actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Answers Corporation and Subsidiary

Consolidated Balance Sheets (unaudited, in thousands except share and per share data)

	December 31 2009	June 30 2010
	\$	\$
Assets		
Current assets:		
Cash and cash equivalents	22,234	20,904
Marketable securities	795	4,334
Short-term deposits (restricted)	-	150
Accounts receivable	2,350	2,089
Prepaid expenses and other current assets	907	918
Deferred tax asset	34	34
Total current assets	26,320	28,429
Long-term deposits (restricted)	276	284
Deposits in respect of employee severance obligations	1,756	1,853
Property and equipment at cost, net of \$2,464 and \$2,423 accumulated depreciation as of December 31, 2009 and June 30, 2010, respectively	1,858	1,959
Other assets:		
Intangible assets, net of \$657 and \$719 accumulated amortization as of December 31, 2009 and June 30, 2010, respectively	797	735
Goodwill	437	437
Prepaid expenses, long-term, and other assets	167	55
Deferred tax asset, long-term	14	24
Total other assets	1,415	1,251
Total assets	31,625	33,776
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	403	517
Accrued expenses and other current liabilities	774	721
Accrued compensation	1,009	999
Capital lease obligation – current portion	82	65
Total current liabilities	2,268	2,302

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Long-term liabilities:		
Liability in respect of employee severance obligations	1,838	2,015
Capital lease obligation, net of current portion	24	-
Deferred tax liability	38	39
Series A and Series B Warrants	8,008	5,925
Total long-term liabilities	9,908	7,979
Commitments and contingencies		
Series A and Series B convertible preferred stock: \$0.01 par value; stated value and liquidation preference of \$101.76 per share for the Series A and \$100 per share for the Series B Convertible Preferred Stock; 6% cumulative annual dividend; 130,000 shares authorized, issued and outstanding		
	2,381	3,552
Stockholders' equity:		
Preferred stock: \$0.01 par value; 870,000 shares authorized, none issued	-	-
Common stock; \$0.001 par value; 100,000,000 shares authorized; 7,951,329 and 7,961,647 shares issued and outstanding as of December 31, 2009 and June 30, 2010, respectively	8	8
Additional paid-in capital	88,539	87,630
Accumulated other comprehensive income (loss)	28	(65)
Accumulated deficit	(71,507)	(67,630)
Total stockholders' equity	17,068	19,943
Total liabilities and stockholders' equity	31,625	33,776

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

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Answers Corporation and Subsidiary

Consolidated Statements of Operations (unaudited, in thousands except share and per share data)

	Three months ended June 30		Six months ended June 30	
	2009	2010	2009	2010
	\$	\$	\$	\$
Revenues:				
Advertising revenue:				
WikiAnswers	3,400	3,992	6,562	8,481
ReferenceAnswers	1,585	1,012	3,152	2,230
Answers service licensing	19	16	36	35
	5,004	5,020	9,750	10,746
Costs and expenses:				
Cost of revenue	1,166	1,315	2,225	2,752
Research and development	817	1,140	1,690	2,201
Community development and marketing	558	660	1,057	1,404
General and administrative	1,248	1,115	2,467	2,372
Total operating expenses	3,789	4,230	7,439	8,729
Operating income	1,215	790	2,311	2,017