Synacor, Inc.
Form 10-Q
August 14, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 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 001-33843

Synacor, Inc.

(Exact name of registrant as specified in its charter)

Delaware	16-1542712
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

40 La Riviere Drive, Suite 300 14202

Buffalo, New York
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (716) 853-1362

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 9, 2017, there were 38,668,410 shares of the registrant's common stock outstanding.

SYNACOR, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SYNACOR, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
AS OF JUNE 30, 2017 AND DECEMBER 31, 2016
(In thousands except for share and per share data)

	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$22,983	$ 14,315
Accounts receivable, net of allowance of $160 and $263, respectively	17,775	27,386
Prepaid expenses and other current assets	5,018	4,862
Total current assets	45,776	46,563
PROPERTY AND EQUIPMENT, net	18,338	14,406
GOODWILL	15,949	15,943
INTANGIBLE ASSETS, net	13,766	14,837
OTHER LONG-TERM ASSETS	1,616	1,650
Total assets	$95,445	$ 93,399
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$15,960	$ 18,769
Accrued expenses and other current liabilities	7,080	11,684
Current portion of deferred revenue	12,350	12,149
Current portion of capital lease obligations	1,892	982
Total current liabilities	37,282	43,584
LONG-TERM PORTION OF CAPITAL LEASE OBLIGATIONS	2,897	1,014
DEFERRED REVENUE	2,952	3,917
LONG-TERM DEBT	—	5,000
OTHER LONG-TERM LIABILITIES	429	235
Total liabilities	43,560	53,750
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock – par value $0.01 per share; authorized 10,000,000 shares; none issued	—	—
Common stock – par value $0.01 per share; authorized 100,000,000 shares; 39,105,032 shares issued and 38,330,895 shares outstanding at June 30, 2017 and 31,626,635 shares issued and 30,881,148 shares outstanding at December 31, 2016	391	316
Treasury stock – at cost, 774,137 shares at June 30, 2017 and 745,487 shares at December 31, 2016	(1,664)	(1,547)
Additional paid-in capital	139,913	117,747
Accumulated deficit	(86,782)	(76,850)
Accumulated other comprehensive income (loss)	27	(17)
Total stockholders' equity	51,885	39,649

Total liabilities and stockholders' equity	$95,445	$ 93,399

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

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SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands except for share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUE	$31,216	$30,476	$57,756	$60,736
COSTS AND OPERATING EXPENSES:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	14,462	13,516	27,024	26,488
Technology and development (exclusive of depreciation and amortization shown separately below)	6,904	6,591	14,202	12,464
Sales and marketing	6,185	5,620	12,846	11,270
General and administrative (exclusive of depreciation and amortization shown separately below)	4,361	5,134	8,325	10,156
Depreciation and amortization	2,224	2,270	4,408	4,368
Total costs and operating expenses	34,136	33,131	66,805	64,746
LOSS FROM OPERATIONS	(2,920)	(2,655)	(9,049)	(4,010)
OTHER INCOME	67	242	73	244
INTEREST EXPENSE	(114)	(84)	(201)	(152)
LOSS BEFORE INCOME TAXES	(2,967)	(2,497)	(9,177)	(3,918)
INCOME TAX PROVISION	309	260	755	404
NET LOSS	$(3,276)	$(2,757)	$(9,932)	$(4,322)
NET LOSS PER SHARE:				
Basic	$(0.09)	$(0.09)	$(0.29)	$(0.14)
Diluted	$(0.09)	$(0.09)	$(0.29)	$(0.14)
WEIGHTED AVERAGE SHARES USED TO COMPUTE NET LOSS PER SHARE:				
Basic	37,284,973	30,070,759	34,228,367	30,031,286
Diluted	37,284,973	30,070,759	34,228,367	30,031,286

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

SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS – UNAUDITED
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net loss	$(3,276)	$(2,757)	$(9,932)	$(4,322)
Other comprehensive income:				
Changes in foreign currency translation adjustment	(1)	(187)	44	(131)
Comprehensive loss	$(3,277)	$(2,944)	$(9,888)	$(4,453)

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

SYNACOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(9,932)	$(4,322)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,408	4,368
Capitalized software impairment	256	—
Stock-based compensation expense	1,323	1,424
Provision for deferred income taxes	219	—
Increase in estimated value of contingent consideration	107	—
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable, net	9,611	6,254
Prepaid expenses and other assets	(136)	(1,866)
Accounts payable	(3,132)	850
Accrued expenses and other liabilities	(3,436)	(15)
Deferred revenue	(764)	(1,031)
Net cash (used in) provided by operating activities	(1,476)	5,662
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition	—	(2,500)
Purchases of property and equipment	(3,576)	(2,004)
Net cash used in investing activities	(3,576)	(4,504)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from offering of common stock, net of underwriting costs	20,258	—
Payments of public offering issuance costs	(212)	—
Repayments of long-term debt	(5,000)	—
Repayments on capital lease obligations	(701)	(838)
Proceeds from exercise of common stock options	786	336
Treasury stock shares received to satisfy minimum withholding liabilities	(117)	(66)
Deferred acquisition payment	(1,300)	—
Net cash provided by (used in) financing activities	13,714	(568)
Effect of exchange rate changes on cash and cash equivalents	6	8
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,668	598
Cash and cash equivalents, beginning of period	14,315	15,697
Cash and cash equivalents, end of period	$22,983	$16,295
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$109	$132
Cash paid for income taxes	$394	$—
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Liability for estimated additional acquisition consideration	$—	$567

Property, equipment and service center contracts financed under capital lease	$3,488	$673
Accrued property and equipment expenditures	$550	$39
Stock-based compensation capitalized to property and equipment	$86	$101

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

SYNACOR, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

AS OF JUNE 30, 2017 AND DECEMBER 31, 2016, AND

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

1. The Company and Summary of Significant Accounting Principles

Synacor, Inc., together with its consolidated subsidiaries (collectively, the “Company” or “Synacor”), is the trusted technology development, multiplatform services and revenue partner for video, internet and communications providers, device manufacturers, governments and enterprises. Synacor enables its customers to provide their consumers engaging, multiscreen experiences and advertising to their consumers that require scale, actionable data and sophisticated implementation.

Basis of Presentation —

The interim unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company’s management, the interim unaudited condensed consolidated financial statements include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company’s financial position for the periods presented. These interim unaudited condensed consolidated financial statements are not necessarily indicative of the results expected for the full fiscal year or for any subsequent period.

The accompanying condensed consolidated balance sheet as of December 31, 2016 was derived from the audited financial statements as of that date, but does not include all the information and footnotes required by U.S. GAAP. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Accounting Estimates —

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

Concentrations of Risk —

As of June 30, 2017 and December 31, 2016, the Company had concentrations equal to or exceeding 10% of the Company’s accounts receivable as follows:

	Accounts Receivable June 30, 2017	December 31, 2016
Google search	12%	*
Google advertising affiliate	15%	*
* - Less than 10%		

For the three and six months ended June 30, 2017 and 2016, the Company had concentrations equal to or exceeding 10% of the Company’s revenue as follows:

	Revenue Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Google search	16 %	14 %	14%	15 %
Google advertising affiliate	21 %	*	17%	*
* - Less than 10%				

For the three and six months ended June 30, 2017 and 2016, the following customers received revenue-share payments equal to or exceeding 10% of the Company's cost of revenue:

	Cost of Revenue			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Customer A	13%	26%	16%	28%
Customer B	18%	*	10%	*
Customer C	*	14%	*	12%

* - Less than 10%

Recent Accounting Pronouncements —

Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 (ASU 2014-09), Revenue from Contracts with Customers. ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)" and requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, with earlier application permitted as of annual reporting periods beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), to clarify the implementation guidance on principal versus agent. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, providing additional guidance relating to identifying performance obligations under ASU 2014-09 as well as licensing.

The Company is currently in the process of assessing the financial impact of adopting these ASUs and the methods of adoption. The Company currently recognizes subscription license revenue from its Email/Collaboration contracts, which is included within recurring and fee-based revenue, over the life of the contracts (which are typically six months or longer). The Company has tentatively concluded that it is likely that this new guidance will require it to recognize a portion of the revenue from those contracts upon delivery, at the inception of the contracts, which would have the effect of accelerating recognition of revenue on such contracts, and may have a material impact on the Company's consolidated financial statements. The standard will be effective for the Company beginning January 1, 2018. The Company will adopt the standard as of its effective date of January 1, 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company expects to use the latter method.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which amends lease accounting by lessors and lessees. This new standard will require, among other things, that lessees recognize a right-to-use asset and related lease liability for all significant financing and operating leases, and specifies where in the statement of cash flows the related lease payments are to be presented. The standard is effective for years beginning after December 15, 2018, including interim periods within those years (beginning in calendar year 2019 for the Company), and early adoption is permitted. Adoption of ASU 2016-02 is required to be applied on a modified retrospective basis. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on its consolidated financial statements, but currently expects that most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon the adoption of ASU 2016-02, which will increase the total assets and total liabilities that it reports as compared to reported prior to adoption. The Company expects to adopt the standard as of January 1, 2019.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15), which provides guidance related to cash flows presentation and is effective for annual reporting periods beginning after December 15, 2017, subject to early adoption, which is permitted using a retrospective transition approach. ASU 2016-15 is intended to standardize the classification of certain cash receipts and cash payments in the Statement of Cash Flows, and is effective for the Company in its first quarter of fiscal 2018. The Company expects that it will adopt ASU 2016-15 in the first quarter of fiscal 2018 and is currently evaluating the impact of the pending adoption on its consolidated financial statements.

Recently Adopted

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which changes how companies account for certain aspects of stock-based awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as the classification in the statement of cash flows. Effective January 1, 2017, the Company has adopted ASU 2016-09. The standard eliminated the requirement to defer recognition of excess tax benefits related to employee share-based awards until they are realized through a reduction to income taxes payable. The Company applied the modified retrospective method and there was no net cumulative-effect adjustment to retained earnings on January 1, 2017 as the increase of $0.7 million in deferred income tax assets for previously unrecognized excess tax benefits was fully offset by a valuation allowance. As permitted by the ASU, the Company will continue to use an estimated forfeiture rate in determining stock-based compensation expense.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment (Topic 350), to simplify the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test. A goodwill impairment will now be measured as the amount by which a reporting unit's carrying value exceeds its fair value, limited to the amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for any impairment tests performed after January 1, 2017. The Company has adopted the new guidance on a prospective basis during the first quarter of 2017. The adoption of this ASU has not impacted the Company's consolidated financial statements.

2. Stock Offering

In April 2017, the Company completed an underwritten public offering (the "Offering") of its common stock in which it sold 5,715,000 shares at a price of $3.50 per share. Subsequently, in May 2017, and as part of the Offering, the Company completed the sale of 472,846 additional shares of its common stock at the same price upon the exercise of the underwriters' over-allotment option, for a total of 6,187,846 shares. The Offering resulted in total net proceeds of $20.0 million, after deducting underwriting discounts and commissions totaling $1.4 million and other offering expenses totaling $0.2 million.

3. Acquisitions

In August 2015, the Company and Zimbra, Inc. (now known as "TZ Holdings") entered into an agreement under which the Company acquired certain assets relating to TZ Holdings' email/collaboration products and services business, including certain of its wholly-owned foreign subsidiaries, for cash consideration of $17.3 million, 2.4 million shares of common stock and warrants to purchase 480,000 shares of common stock (collectively valued at $3.2 million). The Company held back an additional 600,000 shares of common stock and warrants to purchase an additional 120,000 shares of common stock (collectively valued at $0.8 million) to secure TZ Holdings' indemnification obligations including pending claims. The held back common shares and warrants were released to TZ holdings in March 2017. The warrants expire on September 14, 2018.

Additionally, TZ Holdings was eligible to receive cash consideration of up to $2.0 million (the "Earn-Out Consideration") upon the satisfaction of certain business performance milestones following the closing of the transaction, subject to and contingent upon any reduction to satisfy indemnification claims including pending claims. The acquisition date fair value of this contingent consideration was estimated to be $1.6 million. The Company paid $0.9 million of the earn-out consideration to TZ Holdings in November 2016, and the final payment of $0.7 million was made in May 2017.

In connection with the Company's February 2016 acquisition of Technorati, the Company withheld $0.5 million of the purchase price to secure Technorati's indemnification obligations under the Asset Purchase Agreement, and the Company owed approximately $0.1 million in post-closing working capital adjustments. These amounts were paid in March 2017.

4. Goodwill and Other Intangible Assets

The change in goodwill is as follows for the six months ended June 30, 2017 and 2016 (in thousands):

	Six Months Ended June 30,	
	2017	2016
Balance – beginning of period	$15,943	$15,187
Acquisition of Technorati	—	751
Effect of foreign currency translation	6	11
Balance – end of period	$15,949	$15,949

Intangible assets consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Customer and publisher relationships	$14,780	$ 14,780
Technology	2,330	2,330
Trademark	300	300
	17,410	17,410
Less accumulated amortization	(3,644)	(2,573)
Intangible assets, net	$13,766	$ 14,837

Amortization of intangible assets totaled $0.6 million and $0.6 million for the three months ended June 30, 2017 and 2016, respectively, and $1.1 million and $1.0 million for the six months ended June 30, 2017 and 2016, respectively.

5. Property and Equipment – Net

Property and equipment, net consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Computer equipment (1)	$26,751	$ 23,438
Computer software	17,476	15,198
Furniture and fixtures	2,469	2,062
Leasehold improvements	1,381	1,463
Work in process (primarily software development costs)	5,827	4,572
Other	254	249
	54,158	46,982
Less accumulated depreciation (2)	(35,820)	(32,576)
Property and equipment, net	$18,338	$ 14,406

Notes:

(1) Includes equipment and software held under capital leases of $8.7 million and $5.2 million as of June 30, 2017 and December 31, 2016, respectively.

(2) Includes $4.0 million and $3.4 million of accumulated depreciation of equipment under capital leases as of June 30, 2017 and December 31, 2016, respectively.

Depreciation expense totaled $1.7 million and $1.7 million for the three months ended June 30, 2017 and 2016, respectively, and $3.3 million and $3.3 million, for the six months ended June 30, 2017 and 2016, respectively.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Accrued compensation	$3,913	$ 6,860
Accrued content fees	1,158	1,788
Accrued business acquisition consideration	—	1,193
Other	2,009	1,843
Total	$7,080	$ 11,684

7. Information About Segment and Geographic Areas

Operating segments are components of the Company in which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker for the Company is the Chief Executive Officer. The Chief Executive Officer reviews financial information presented on a total company basis, accompanied by information about revenue by major service line for purposes of allocating resources and evaluating financial performance. Profitability measures by service line are not prepared or used. The Company has one business activity and there are no segment managers who are held accountable for operations, operating results or plans for levels or components below the company level. Accordingly, the Company has determined that it has a single reporting segment and operating unit structure.

The following tables set forth revenue and long-lived tangible assets by geographic area (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
United States	$25,190	$26,149	$46,858	$52,619
International	6,026	4,327	$10,898	8,117
Total revenue	$31,216	$30,476	$57,756	$60,736

	June 30, 2017	December 31, 2016
Long-lived tangible assets:		
United States	$17,488	$ 13,519
Canada	549	573
Other international	301	314
Total long-lived tangible assets	$18,338	$ 14,406

8. Commitments and Contingencies

Contract Commitments —

The Company is obligated to make minimum payments under various contracts with vendors and other business partners, principally for revenue-share and content arrangements. Contract commitments as of June 30, 2017 are as follows (in thousands):

Year ending December 31,	
2017 (remaining - six months)	$690
2018	$900
2019	$900
2020	$300
Total	$2,790

Litigation —

From time to time, the Company is a party to legal actions. In the opinion of management, the outcome of these matters is not expected to have a material impact on the consolidated financial statements of the Company.

9. Stock-based Compensation

The Company has stock-based employee compensation plans for which compensation cost is recognized in its financial statements. The cost is measured at the grant date, based on the fair value of the award, determined using the Black-Scholes option pricing model, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award).

No income tax deduction is allowed for incentive stock options ("ISOs"). Accordingly, no deferred income tax asset is recorded for the potential tax deduction related to these options. Expense related to stock option grants of non-qualified stock options ("NSOs") results in a temporary difference, which gives rise to a deferred tax asset.

Total stock-based compensation expense included in the accompanying condensed consolidated statements of operations for the periods presented, is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Technology and development	$206	$202	$414	$443
Sales and marketing	190	208	358	431
General and administrative	280	277	551	550
Total stock-based compensation expense	$676	$687	$1,323	$1,424

Stock Option Activity – A summary of the stock option activity for the six months ended June 30, 2017 is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2017	8,756,174	$ 2.53		
Granted	1,313,900	$ 3.20		
Exercised	(452,329)	$ 1.73		
Forfeited or expired	(142,540)	$ 2.15		
Outstanding at June 30, 2017	9,475,205	$ 2.67		