

CASTLIGHT HEALTH, INC.
Form 10-Q
May 03, 2019
Table of Contents

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 March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-36330

CASTLIGHT HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware 26-1989091

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

150 Spear Street, Suite 400

San Francisco, CA 94105

(Address of principal executive offices)

(415) 829-1400

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Not applicable

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class B Common Stock, par value \$0.0001 per share	CSLT	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Not applicable

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

Edgar Filing: CASTLIGHT HEALTH, INC. - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	[Smaller reporting	Emerging growth
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	company <input type="checkbox"/>	company <input checked="" type="checkbox"/>

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 Act). Yes No

As of April 29, 2019, there were 35,117,853 shares of the Registrant’s Class A common stock outstanding and 108,842,540 shares of the Registrant’s Class B common stock outstanding.

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I. Financial Information</u>	<u>1</u>
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2019 and 2018</u>	<u>3</u>
<u>Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2019 and 2018</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>22</u>
<u>Item 4. Controls and Procedures</u>	<u>23</u>
<u>PART II. Other Information</u>	<u>24</u>
<u>Item 1. Legal Proceedings</u>	<u>24</u>
<u>Item 1A. Risk Factors</u>	<u>24</u>
<u>Item 6. Exhibits</u>	<u>46</u>
<u>Signature</u>	<u>47</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CASTLIGHT HEALTH, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(unaudited)

	As of	
	March 31,	December 31,
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$66,338	\$ 66,005
Marketable securities	—	11,327
Accounts receivable and other, net	34,699	26,816
Prepaid expenses and other current assets	4,351	3,680
Total current assets	105,388	107,828
Property and equipment, net	3,754	3,963
Restricted cash, non-current	1,325	1,325
Deferred commissions	19,067	20,142
Deferred professional service costs	9,672	10,133
Intangible assets, net	15,333	16,209
Goodwill	91,785	91,785
Operating lease right-of-use assets, net	15,989	—
Other assets	2,209	2,129
Total assets	\$264,522	\$ 253,514
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$8,760	\$ 9,556
Accrued expenses and other current liabilities	13,025	15,454
Accrued compensation	5,005	5,975
Deferred revenue	23,774	20,193
Operating lease liabilities	5,928	—
Total current liabilities	56,492	51,178
Deferred revenue, non-current	944	1,030
Debt, non-current	2,789	3,254
Operating lease liabilities, non-current	13,428	—
Other liabilities, non-current	1,040	3,381
Total liabilities	74,693	58,843
Commitments and contingencies		
Stockholders' equity:		
Class A and Class B common stock	14	14
Additional paid-in capital	615,394	609,697
Accumulated other comprehensive loss	—	—
Accumulated deficit	(425,579)	(415,040)
Total stockholders' equity	189,829	194,671
Total liabilities and stockholders' equity	\$264,522	\$ 253,514

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

CASTLIGHT HEALTH, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share data)
 (unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenue:		
Subscription	\$33,806	\$32,989
Professional services and other	1,684	3,490
Total revenue, net	35,490	36,479
Cost of revenue:		
Cost of subscription ⁽¹⁾	8,166	9,174
Cost of professional services and other ⁽¹⁾	5,944	5,769
Total cost of revenue	14,110	14,943
Gross profit	21,380	21,536
Operating expenses:		
Sales and marketing ⁽¹⁾	9,215	13,912
Research and development ⁽¹⁾	15,725	15,371
General and administrative ⁽¹⁾	7,293	6,825
Total operating expenses	32,233	36,108
Operating loss	(10,853)	(14,572)
Other income, net	314	128
Net loss	\$(10,539)	\$(14,444)
Net loss per share, basic and diluted	\$(0.07)	\$(0.11)
Weighted-average shares used to compute basic and diluted net loss per share	143,000	134,994

⁽¹⁾ Includes stock-based compensation expense as follows:

	Three Months Ended March 31, 2019 2018	
Cost of revenue:		
Cost of subscription	\$219	\$242
Cost of professional services and other	265	301
Sales and marketing	627	