



**incorporation or organization) Identification No.)**

**290 Congress Street**

**Boston, MA 02210**

**(Address of principal executive offices)**

**(888) 882-1880**

**(Registrant’s telephone number, including area code)**

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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

As of April 27, 2015 there were 32,527,262 shares of the registrant’s common stock, \$0.001 par value per share, issued and outstanding.

**BRIGHTCOVE INC.**

**Table of Contents**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<b><u>Item 1. Financial Statements (Unaudited)</u></b>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014</u>	3
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014</u>	4
<u>Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2015 and 2014</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4. Controls and Procedures</u>	25
<b><u>PART II. OTHER INFORMATION</u></b>	26
<u>Item 1. Legal Proceedings</u>	26
<u>Item 1A. Risk Factors</u>	26
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
<u>Item 5. Other Information</u>	26
<u>Item 6. Exhibits</u>	27
<u>Signatures</u>	28

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Brightcove Inc.****Condensed Consolidated Balance Sheets****(unaudited)**

	March 31, 2015	December 31, 2014
	(in thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,907	\$ 22,916
Accounts receivable, net of allowance of \$152 and \$181 at March 31, 2015 and December 31, 2014, respectively	19,403	21,463
Prepaid expenses and other current assets	5,488	4,342
Deferred tax asset	19	109
Total current assets	46,817	48,830
Property and equipment, net	9,701	10,372
Intangible assets, net	16,108	16,898
Goodwill	50,776	50,776
Restricted cash, net of current portion	201	201
Other assets	735	507
Total assets	\$ 124,338	\$ 127,584
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,354	\$ 1,618
Accrued expenses	10,285	11,722
Capital lease liability	1,021	1,159
Deferred revenue	28,999	29,640
Total current liabilities	42,659	44,139
Deferred revenue, net of current portion	157	64
Other liabilities	2,145	2,618
Total liabilities	44,961	46,821
Commitments and contingencies ( <i>Note 9</i> )		
Stockholders' equity:		
Undesignated preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued	-	-

Edgar Filing: BRIGHTCOVE INC - Form 10-Q

Common stock, \$0.001 par value; 100,000,000 shares authorized; 32,527,262 and 32,424,554 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	33	32
Additional paid-in capital	216,023	214,524
Accumulated other comprehensive loss	(831 )	(776 )
Accumulated deficit	(135,848 )	(133,017 )
Total stockholders' equity	79,377	80,763
Total liabilities and stockholders' equity	\$ 124,338	\$ 127,584

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

**Brightcove Inc.****Condensed Consolidated Statements of Operations****(unaudited)**

	Three Months Ended March 31,	
	2015	2014
	(in thousands, except share and per share data)	
Revenue:		
Subscription and support revenue	\$ 31,811	\$ 29,375
Professional services and other revenue	1,074	1,730
Total revenue	32,885	31,105
Cost of revenue: (1) (2)		
Cost of subscription and support revenue	10,346	9,520
Cost of professional services and other revenue	1,246	1,747
Total cost of revenue	11,592	11,267
Gross profit	21,293	19,838
Operating expenses: (1) (2)		
Research and development	7,820	6,569
Sales and marketing	10,839	11,346
General and administrative	5,161	4,714
Merger-related	14	1,867
Total operating expenses	23,834	24,496
Loss from operations	(2,541)	(4,658)
Other expense, net	(224)	(112)
Loss before income taxes	(2,765)	(4,770)
Provision for income taxes	66	67
Net loss	\$ (2,831)	\$ (4,837)
Net loss per share - basic and diluted	\$ (0.09)	\$ (0.16)
Weighted-average number of common shares used in computing net loss per share— basic and diluted	32,495,685	31,037,732
(1) Stock-based compensation included in above line items:		
Cost of subscription and support revenue	\$ 20	\$ 60
Cost of professional services and other revenue	33	52
Research and development	434	396
Sales and marketing	458	633
General and administrative	508	609
(2) Amortization of acquired intangible assets included in above line items:		
Cost of subscription and support revenue	\$ 507	\$ 423

Edgar Filing: BRIGHTCOVE INC - Form 10-Q

Research and development	32	31
Sales and marketing	251	265

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

**Brightcove Inc.**

**Condensed Consolidated Statements of Comprehensive Loss**

**(unaudited)**

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Net loss	\$ (2,831 )	\$ (4,837 )
Other comprehensive loss:		
Foreign currency translation adjustments	55	115
Comprehensive loss	\$ (2,776 )	\$ (4,722 )

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



**Brightcove Inc.****Condensed Consolidated Statements of Cash Flows****(unaudited)**

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Operating activities		
Net loss	\$ (2,831 )	\$ (4,837 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,429	1,826
Stock-based compensation	1,453	1,750
Provision for reserves on accounts receivable	76	23
Amortization of premium on investments	—	1
Changes in assets and liabilities, net of effect of acquisition:		
Accounts receivable	1,993	(40 )
Prepaid expenses and other current assets	(534 )	(1,602 )
Other assets	(226 )	861
Accounts payable	789	(1,769 )
Accrued expenses	(2,540 )	(4,095 )
Deferred revenue	(563 )	2,948
Net cash provided by (used in) operating activities	46	(4,934 )
Investing activities		
Cash paid for acquisition, net of cash acquired	—	(9,100 )
Maturities of investments	—	1,400
Purchases of property and equipment	(581 )	(206 )
Capitalized internal-use software costs	(157 )	(571 )
Decrease in restricted cash	—	113
Net cash used in investing activities	(738 )	(8,364 )
Financing activities		
Proceeds from exercise of stock options	46	117
Payments under capital lease obligation	(319 )	(222 )
Net cash used in financing activities	(273 )	(105 )
Effect of exchange rate changes on cash	(44 )	120
Net decrease in cash and cash equivalents	(1,009 )	(13,283 )
Cash and cash equivalents at beginning of period	22,916	33,047
Cash and cash equivalents at end of period	\$ 21,907	\$ 19,764
Supplemental disclosure of non-cash investing activities		
Fair value of shares issued for acquisition of a business	\$ —	\$ 30,615

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



**Brightcove Inc.****Condensed Consolidated Statements of Cash Flows – (continued)****(unaudited)**

	Three Months Ended March 31,		
	2015	2014	
	(in thousands)		
Supplemental disclosure of cash flow related to acquisition			
In connection with the acquisition of Unicorn Media, Inc. on January 31, 2014, the following transactions occurred:			
Fair value of assets acquired	\$ —	\$ 44,373	
Liabilities assumed related to acquisition	—	(4,645	)
Total purchase price	—	39,728	
Less fair value of common stock issued in connection with acquisition	—	(30,615	)
Less cash and cash equivalents acquired	—	(13	)
Cash paid for acquisition, net of cash acquired	\$ —	\$ 9,100	

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

**Brightcove Inc.**

**Notes to Condensed Consolidated Financial Statements**

**(unaudited)**

**(in thousands, except share and per share data, unless otherwise noted)**

**1. Business Description and Basis of Presentation**

*Business Description*

Brightcove Inc. (the Company) is a leading global provider of cloud services for video which enable its customers to publish and distribute video to Internet-connected devices quickly, easily and in a cost-effective and high-quality manner.

The Company is headquartered in Boston, Massachusetts and was incorporated in the state of Delaware on August 24, 2004. At March 31, 2015, the Company had nine wholly-owned subsidiaries: Brightcove UK Ltd, Brightcove Singapore Pte. Ltd., Brightcove Korea, Brightcove Australia Pty Ltd, Brightcove Holdings, Inc., Brightcove Kabushiki Kaisha (Brightcove KK), Zencoder Inc. (Zencoder), Brightcove FZ-LLC, and Cacti Acquisition LLC.

*Basis of Presentation*

The accompanying interim condensed consolidated financial statements are unaudited. These condensed consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and related notes, together with Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion

of management, the unaudited condensed consolidated financial statements and notes have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2014 contained in the Company's Annual Report on Form 10-K and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial position for the three months ended March 31, 2015 and 2014. These interim periods are not necessarily indicative of the results to be expected for any other interim period or the full year.

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated as required. The Company has evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events requiring disclosure, other than those disclosed in this Report on Form 10-Q.

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the condensed consolidated financial statements. As of March 31, 2015, the Company's significant accounting policies and estimates, which are detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, have not changed.

## **2. Concentration of Credit Risk**

The Company has no significant off-balance sheet risk, such as foreign exchange contracts, option contracts or other foreign hedging arrangements. Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents and trade accounts receivable. The Company maintains its cash and cash equivalents principally with accredited financial institutions of high credit standing. Although the Company deposits its cash with multiple financial institutions, its deposits, at times, may exceed federally insured limits. The Company routinely assesses the creditworthiness of its customers. The Company generally has not experienced any material losses related to receivables from individual customers, or groups of customers. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable in the Company's accounts receivable.

At March 31, 2015 and December 31, 2014, no individual customer accounted for 10% or more of net accounts receivable. For the three months ended March 31, 2015 and 2014, no individual customer accounted for 10% or more of total revenue.

## **3. Concentration of Other Risks**

The Company is dependent on certain content delivery network providers who provide digital media delivery functionality enabling the Company's on-demand application service to function as intended for the Company's customers and ultimate end-users. The disruption of these services could have a material adverse effect on the Company's business, financial position, and results of operations.

#### 4. Cash and Cash Equivalents and Investments

The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Investments not classified as cash equivalents with maturities less than one year from the balance sheet date are classified as short-term investments, while investments with maturities in excess of one year from the balance sheet date are classified as long-term investments. Management determines the appropriate classification of investments at the time of purchase, and re-evaluates such determination at each balance sheet date.

Cash and cash equivalents primarily consist of cash on deposit with banks and amounts held in interest-bearing money market accounts. Cash equivalents are carried at cost, which approximates their fair market value.

Cash and cash equivalents as of March 31, 2015 consist of the following:

Description	March 31, 2015		Fair Market	Balance Per
	Contracted Maturity	Amortized Cost	Value	Balance Sheet
Cash	Demand	\$ 12,333	\$ 12,333	\$ 12,333
Money market funds	Demand	9,574	9,574	9,574
Total cash and cash equivalents		\$ 21,907	\$ 21,907	\$ 21,907

Cash and cash equivalents as of December 31, 2014 consist of the following:

Description	December 31, 2014		Fair Market	Balance Per
	Contracted Maturity	Amortized Cost	Value	Balance Sheet
Cash	Demand	\$ 13,342	\$ 13,342	\$ 13,342
Money market funds	Demand	9,574	9,574	9,574
Total cash and cash equivalents		\$ 22,916	\$ 22,916	\$ 22,916

#### 5. Net Loss per Share

The following potentially dilutive common stock equivalent shares have been excluded from the computation of weighted-average shares outstanding as their effect would have been anti-dilutive (in thousands):

	Three Months Ended March 31,	
	2015	2014
Options outstanding	3,086	3,491
Restricted stock units outstanding	1,178	1,083
Warrants	28	28

## 6. Fair Value of Financial Instruments

The following tables set forth the Company's financial instruments carried at fair value using the lowest level of input as of March 31, 2015 and December 31, 2014:

	March 31, 2015				
	<b>Quoted</b>				
	<b>Prices</b>				
	<b>in</b>				
	<b>Active</b>	<b>Significant Other</b>	<b>Significant</b>		
	<b>Markets</b>	<b>Observable Inputs</b>	<b>Unobservable Inputs</b>	<b>Total</b>	
	<b>for</b>	<b>(Level 2)</b>	<b>(Level 3)</b>		
	<b>Identical</b>				
	<b>Items</b>				
	<b>(Level</b>				
	<b>1)</b>				
Assets:					
Money market funds	\$9,574	\$ -	\$ -	\$ -	\$9,574
Restricted cash	-	201	-	-	201
Total assets	\$9,574	\$ 201	\$ -	\$ -	\$9,775



