

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

**Support.com, Inc.**

**Form: 8-K**

**Date Filed: 2018-05-08**

Corporate Issuer CIK: 1104855

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

**May 8, 2018**

Date of report (Date of earliest event reported)

**SUPPORT.COM, INC.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation)

**000-30901**

(Commission File No.)

**94-3282005**

(I.R.S. Employer Identification No.)

**1200 Crossman Ave., Suite 210, Sunnyvale, CA 94089**

(Address of Principal Executive Offices) (Zip Code)

**(650) 556-9440**

(Registrant's telephone number, including area code)

**N/A**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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**Item Results of Operations and Financial Condition.**  
**2.02.**

On May 8, 2018, Support.com, Inc. (the "Company") issued the press release attached hereto as Exhibit 99.1 announcing its results of operations for the first quarter of 2018.

The information contained in this Current Report on Form 8-K and Exhibit 99.1 hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference to any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such filing.

**Item Financial Statements and Exhibits.**

**9.01.**

(d) Exhibits.

99.1 Press Release of the Company, dated May 8, 2018

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 8, 2018

SUPPORT.COM, INC.

By: /s/ James P. Berklas Jr.

Name: James P. Berklas Jr.

Title: Interim General Counsel & Secretary

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EXHIBIT INDEX

**Exhibit No.**

**Description**

[99.1](#)

Press Release of the Company, dated May 8, 2018

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## Support.com Reports First Quarter 2018 Financial Results

**Sunnyvale, CA – May 8, 2018** – Support.com, Inc. (NASDAQ: SPRT), a leading provider of tech support and turnkey support center services, producer of SUPERAntiSpyware® anti-malware products, and the maker of Support.com® software, today reported unaudited financial results for its first quarter ended March 31, 2018.

“The company’s continued investment during the first quarter in driving growth opportunities for the balance of the fiscal year adversely impacted our financial performance relative to the prior two quarters,” said Rick Bloom, Interim President and Chief Executive Officer of the company, “This investment included costs associated with recruiting and training highly-skilled tech support agents for several of our major customers, as well as continuing to re-align our market-leading Support.com software offerings with our chat and live agent capabilities.”

Mr. Bloom continued, “The investments made in the first quarter are expected to boost longer term profits and cash flow. These investments are likely to continue as long as the opportunities for growth are still present.”

“Our growth strategy remains focused on our unique combination of highly-skilled tech support agents and market-leading Support.com software offerings, as we believe these enable us to provide high quality customer support in a very cost efficient manner,” shared Mr. Bloom.

### Q1 2018 Financial Summary

For the first quarter of 2018, total revenue was \$16.5 million, up 16 percent compared to revenues of \$14.3 million in the first quarter of 2017 and up 1.4 percent compared to revenues of \$16.3 million in the fourth quarter of 2017.

On a GAAP basis, we recorded a net loss for the first quarter of 2018 of \$(0.8) million, or \$(0.04) per share, compared to a loss of \$(1.3) million, or \$(0.07) per share, in the first quarter of 2017 and a loss of \$(0.3) million, or \$(0.02) per share, in the fourth quarter of 2017.

On a non-GAAP basis, we recorded a net loss in the first quarter of 2018 of \$(0.4) million, or \$(0.02) per share, compared to a loss of \$(1.2) million, or \$(0.06) per share, in the first quarter of 2017 and income of \$0.4 million, or \$0.02 per share, in the fourth quarter of 2017.

On both a GAAP and non-GAAP basis, operating expenses for the first quarter of 2018 included \$0.02 million in primarily legal expenses not associated with normal business operations. This compares with \$0.5 million in the first quarter of 2017 and \$0.1 million in the fourth quarter of 2017, both primarily legal expenses.

Key changes in our non-GAAP net income/(loss) included the following:

- Gross profit decreased by \$0.7 million in the first quarter compared to the same period in 2017, and was down \$0.6 million compared to the fourth quarter of 2017.
- Our gross profit margin declined by 6.8 percentage points compared with the same quarter of 2017 and was down 3.7 percentage points relative to the third quarter of 2017. The decline from the fourth quarter reflected additional recruiting and training costs as we grow business with our major customers.
- Operating expenses in the first quarter of 2018 were \$3.1 million, lower by \$1.3 million (29 percent) than the \$4.3 million of operating expenses in the first quarter of 2017 but higher by \$0.3 million (11 percent) than the \$2.8 million of operating expenses in the fourth quarter of 2017.
- Our lower operating expenses as compared with the year-ago quarter reflects the impact of our cost saving initiatives during 2017, which included operational efficiencies, tighter fiscal controls on headcount and spending, and the renegotiation of certain vendor agreements.

Non-GAAP income/(loss) excludes stock-based compensation, amortization of intangible assets, and a one-time tax expense. Collectively, these items impacted income/(loss) from continuing operations by \$0.4 million in the first quarter of 2018, \$0.1 million in the first quarter of 2017, and \$0.7 million in the fourth quarter of 2017 (including \$0.5 million related to a one-time tax expense on foreign earnings and profits). A reconciliation of GAAP to non-GAAP results is presented in the tables below.

### Balance Sheet Information

At March 31, 2018, cash, cash equivalents and short-term investments were \$47.6 million, compared to \$50.8 million at March 31, 2017 and \$49.2 million at December 31, 2017.

Total assets as of March 31, 2018 were \$62.5 million and total shareholders' equity was \$55.9 million.

Support.com will not host a conference call discussing the Company's first quarter results. For more information, please visit the Investor Relations section of the Support.com website at [Support.com/about-us/investor-relations/](http://Support.com/about-us/investor-relations/).

### About Support.com

Support.com, Inc. (NASDAQ: SPRT) is a leading provider of support services and software to deliver next-generation technical support. Support.com helps leading brands in software, electronics, communications, retail, and other connected technology industries deepen their customer relationships. Customers want technology that works the way it's intended. By using Support.com services and software, companies can deliver a fantastic customer experience, leading to happier customers, greater brand loyalty and growing revenues. For more information, please visit <http://www.support.com> or follow us [@support.com](https://twitter.com/supportcom).

Support.com, Inc. is an Equal Opportunity Employer. For more information, visit <http://www.support.com/about-us/careers>.

## Safe Harbor Statement

This press release contains “forward-looking statements” as defined under the U.S. federal securities laws, including the Private Securities Litigation Reform Act of 1995, and is subject to the safe harbors created by such laws. Forward-looking statements include, for example, all statements relating to expected financial performance (including without limitation statements involving growth and projections of revenue, margin, profitability, income (loss) from continuing operations, income (loss) per share from continuing operations, cash usage or generation, cash balance as of any future date, capital structure and other financial items); the plans and objectives of management for future operations, customer relationships, products, services or investments; personnel matters; and future performance in economic and other terms. Such forward-looking statements are based on current expectations that involve a number of uncertainties and risks that may cause actual events or results to differ materially from those indicated by such forward-looking statements, including, among others, our ability to retain and grow major programs, our ability to expand and diversify our customer base, our ability to market and sell our Support.com Cloud (formerly “Nexus®”) software-as-a-service (SaaS) offering, our ability to maintain and grow revenue, our ability to successfully develop new products and services, our ability to manage our workforce, our ability to operate in markets that are subject to extensive regulations, such as support for home security systems, our ability to control expenses and achieve desired margins, our dependence on a small number of customers and partners, our ability to attract, train and retain talented employees, potential intellectual property, class action or other litigation, our ability to utilize and realize the value of our net operating loss carryforwards and how they could be substantially limited or permanently impaired, given our current market capitalization and cash position, our ability to execute the cost reduction program involving the planned actions on the expected schedule, our ability to achieve the cost savings expected in connection with the cost reduction plan, the ultimate effect of any such cost reductions on our financial results, and our ability to manage the effects of the cost reduction plan on our workforce and other operations. These and other risks may be detailed from time to time in Support.com’s periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its latest Annual Report on Form 10-K and its latest Quarterly Report on Form 10-Q, copies of which may be obtained from [www.sec.gov](http://www.sec.gov). Support.com assumes no obligation to update its forward-looking statements, except as may otherwise be required by the federal securities laws.

## Disclosure Regarding Non-GAAP Financial Measures

Support.com excludes stock-based compensation expense, amortization of intangible assets and other, restructuring charges and tax expense on foreign earnings and profits from its GAAP results, in order to determine the non-GAAP financial measures of income (loss) from continuing operations and income (loss) from continuing operations per share, as described in A through D below. We believe that the non-GAAP measures, when viewed in addition to and not in lieu of our reported GAAP results, assist investors in understanding our results of operations.

A. Stock-based compensation expense. Management excludes stock-based compensation expense when evaluating its performance from period to period because such expenses do not require cash settlement and because such expenses are not used by management to assess the performance of the Company’s business. Stock-based compensation expense was \$376,000 in the first quarter of 2018, compared to \$90,000 in the first quarter of 2017 and \$135,000 in the fourth quarter of 2017.

B. Amortization of intangible assets. The Company does not acquire businesses on a predictable cycle; therefore, management excludes acquisition-related intangible asset amortization and related charges when evaluating its operating performance. Amortization of intangible assets was zero in the first quarter of 2018, compared to \$10,000 in the first quarter of 2017 and zero in the fourth quarter of 2017.

C. Tax expenses on foreign earnings and profits. Following the passage of the Tax Cuts and Jobs Act on December 22, 2017, Management reviewed the company’s investments in its foreign subsidiaries under ASC 740-30-25. Based on this review, the company changed its assertion regarding its investment in Support.com India Private Ltd which resulted in the company accruing \$543,000 for a one-time transition tax in the fourth quarter of 2017 on our previously untaxed foreign earnings and profits. No expenses were recorded in the first quarters of 2018 or 2017 related to this item.

The Company believes that non-GAAP financial measures have significant limitations in that they do not reflect all of the amounts associated with the Company’s financial results as determined in accordance with GAAP and that these measures should only be used to evaluate the Company’s financial results in conjunction with the corresponding GAAP measures. In addition, the exclusion of the items indicated above from the non-GAAP financial measures presented does not indicate an expectation by management that such items will not be incurred in subsequent periods.

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SUPPORT.COM, INC.  
GAAP CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)  
(unaudited)

	March 31, 2018	(1)	December 31, 2017
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and short-term investments	\$ 47,571		\$ 49,233
Accounts receivable, net	11,715		11,951
Prepaid expenses and other current assets	<u>957</u>		<u>802</u>
<b>Total current assets</b>	60,243		61,986
Property and equipment, net	1,148		1,133
Intangible assets, net	250		250
Other assets	<u>820</u>		<u>984</u>
<b>Total assets</b>	<u>\$ 62,461</u>		<u>\$ 64,353</u>
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued compensation	\$ 2,751		\$ 3,661
Other accrued liabilities	1,358		1,330
Short-term deferred revenue	<u>1,681</u>		<u>2,006</u>
<b>Total current liabilities</b>	5,790		6,997
Long-term deferred revenue	-		13
Other long-term liabilities	<u>749</u>		<u>885</u>
<b>Total liabilities</b>	<u>6,539</u>		<u>7,895</u>
Stockholders' equity:			
Common stock	2		2
Additional paid-in-capital	268,233		267,857
Treasury stock	(5,297)		(5,297)
Accumulated other comprehensive loss	(2,254)		(2,108)
Accumulated deficit	<u>(204,762)</u>		<u>(203,996)</u>
<b>Total stockholders' equity</b>	<u>55,922</u>		<u>56,458</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 62,461</u>		<u>\$ 64,353</u>

**Note 1:** Amounts are subject to completion of management's customary closing and review procedures.



**GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended			
	March 31, 2018	(1)	December 31, 2017	March 31, 2017
<b>Revenue:</b>				
Services	\$ 15,200		\$ 14,926	\$ 12,915
Software and other	1,322		1,366	1,375
<b>Total revenue</b>	<u>16,522</u>		<u>16,292</u>	<u>14,290</u>
<b>Cost of revenue:</b>				
Cost of services (2)	14,111		13,341	11,211
Cost of software and other (2)	55		35	94
<b>Total cost of revenue</b>	<u>14,166</u>		<u>13,376</u>	<u>11,305</u>
Gross profit	2,356		2,916	2,985
<b>Operating expenses:</b>				
Research and development (2)	711		604	923
Sales and marketing (2)	550		414	807
General and administrative (2)	2,146		1,849	2,616
Amortization of intangible assets and other	-		-	10
<b>Total operating expenses</b>	<u>3,407</u>		<u>2,867</u>	<u>4,356</u>
<b>Income (loss) from operations</b>	(1,051)		49	(1,371)
Interest income and other, net	205		192	133
<b>Income (loss) before income taxes</b>	(846)		241	(1,238)
<b>Income tax provision (benefit)</b>	(80)		547	48
<b>Net loss</b>	<u>\$ (766)</u>		<u>\$ (306)</u>	<u>\$ (1,286)</u>
<b>Net loss per share (3)</b>				
Basic	<u>\$ (0.04)</u>		<u>\$ (0.02)</u>	<u>\$ (0.07)</u>
Diluted	<u>\$ (0.04)</u>		<u>\$ (0.02)</u>	<u>\$ (0.07)</u>
<b>Shares used in computing per share amounts: (3)</b>				
Basic	<u>18,720</u>		<u>18,720</u>	<u>18,557</u>
Diluted	<u>18,720</u>		<u>18,720</u>	<u>18,557</u>

Note 2: Includes stock-based compensation expense as follows:

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
<b>Cost of revenue:</b>			
Cost of services	\$ 21	\$ 26	\$ 42
Cost of software and other	-	1	3
<b>Operating expenses:</b>			
Research and development	14	16	41
Sales and marketing	19	25	7
General and administrative	323	67	(3)
<b>Total</b>	<u>\$ 377</u>	<u>\$ 135</u>	<u>\$ 90</u>

Note 3: On January 20, 2017, the Company implemented a 1-for-3 reverse stock split. All share and per share information contained within this press release has been retroactively adjusted to reflect the effects of the reverse stock split.

## RECONCILIATION OF GAAP FINANCIAL RESULTS TO NON-GAAP FINANCIAL MEASURES

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
<b>GAAP cost of revenue</b>	\$ 14,166	\$ 13,376	\$ 11,305
Stock-based compensation expense (Cost of revenue portion only)	(21)	(27)	(45)
<b>Non-GAAP cost of revenue</b>	<u>\$ 14,145</u>	<u>\$ 13,349</u>	<u>\$ 11,260</u>
<b>GAAP operating expenses</b>	\$ 3,407	\$ 2,867	\$ 4,356
Stock-based compensation expense (Excl. cost of revenue portion)	(356)	(108)	(45)
Amortization of intangible assets and other	-	-	(10)
<b>Non-GAAP operating expenses</b>	<u>\$ 3,051</u>	<u>\$ 2,759</u>	<u>\$ 4,301</u>
<b>GAAP income tax provision (benefit)</b>	\$ (80)	\$ 547	\$ 48
Tax expense on international earnings and profits	-	(543)	-
<b>Non-GAAP income tax provision (benefit)</b>	<u>\$ (80)</u>	<u>\$ 4</u>	<u>\$ 48</u>
<b>GAAP net loss</b>	\$ (766)	\$ (306)	\$ (1,286)
Stock-based compensation expense	377	135	90
Amortization of intangible assets and other	-	-	10
Tax expense on international earnings and profits	-	543	-
Total impact of Non-GAAP exclusions	377	678	100
<b>Non-GAAP net income (loss)</b>	<u>\$ (389)</u>	<u>\$ 372</u>	<u>\$ (1,186)</u>
<b>Earnings (loss) per share (3)</b>			
Basic - GAAP	\$ (0.04)	\$ (0.02)	\$ (0.07)
Basic - Non-GAAP	<u>\$ (0.02)</u>	<u>\$ 0.02</u>	<u>\$ (0.06)</u>
Diluted - GAAP	\$ (0.04)	\$ (0.02)	\$ (0.07)
Diluted - Non-GAAP	<u>\$ (0.02)</u>	<u>\$ 0.02</u>	<u>\$ (0.06)</u>
<b>Shares used in computing per share amounts (GAAP) (3)</b>			
Basic	18,720	18,720	18,557
Diluted	<u>18,720</u>	<u>18,720</u>	<u>18,557</u>
<b>Shares used in computing per share amounts (Non-GAAP) (3)</b>			
Basic	18,720	18,720	18,557
Diluted	<u>18,720</u>	<u>19,037</u>	<u>18,557</u>

The adjustments above reconcile the Company's GAAP financial results to the non-GAAP financial measures used by the Company. The Company's non-GAAP financial measures exclude stock-based compensation expense, amortization of intangible assets and other, restructuring charges and tax expense associated international earnings and profits. The Company believes that presentation of these non-GAAP items provides meaningful supplemental information to investors, when viewed in conjunction with, and not in lieu of, the Company's GAAP results. However, the non-GAAP financial measures have not been prepared under a comprehensive set of accounting rules or principles. Non-GAAP information should not be considered in isolation from, or as a substitute for, information prepared in accordance with GAAP. Moreover, there are material limitations associated with the use of non-GAAP financial measures. See the text of this press release for more information on non-GAAP financial measures.

2018 amounts are subject to completion of management's customary closing and review procedures.

**Investor Contact**

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