Lifevantage Corp
Form 10-Q
May 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

ý QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015

¨ 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 001-35647

LIFEVANTAGE CORPORATION
(Exact name of Registrant as specified in its charter)

COLORADO	90-0224471
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

9785 S. Monroe Street, Ste 300, Sandy, UT 84070
(Address of principal executive offices)
(801) 432-9000
(Registrant's telephone number)

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 ý 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 ý 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	¨	Accelerated filer	ý
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	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 ý
The number of shares outstanding of the issuer's common stock, par value $0.001 per share, as of April 30, 2015 was 97,021,189.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q, in particular "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the information incorporated by reference herein contains “forward-looking statements” (as such term is defined in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended). These statements, which involve risks and uncertainties, reflect our current expectations, intentions, or strategies regarding our possible future results of operations, performance, and achievements. Forward-looking statements include, without limitation: statements regarding future products or product development; statements regarding future selling, general and administrative costs and research and development spending; statements regarding the future performance of our network marketing efforts; statements regarding our expectations regarding ongoing litigation; statements regarding international growth; and statements regarding future financial performance, results of operations, capital expenditures and sufficiency of capital resources to fund our operating requirements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and applicable rules of the Securities and Exchange Commission and common law.

These forward-looking statements may be identified in this report and the information incorporated by reference by words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “plan”, “predict”, “project”, “should” and simila expressions, including references to assumptions and strategies. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements.

The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

- Inability to strengthen our business and properly manage distractions among our distributors in Japan;
- We may be unable to manage our growth and expansion;
- We may not succeed in growing existing markets or opening new international markets;
- We may not succeed in expanding our operations;
- Inability of new products to gain distributor or market acceptance;
- Our inability to execute our product launch process due to increased pressure on our supply chain, information systems and management;
- Disruptions in our information technology systems;
- Inability to comply with financial covenants imposed by our credit facility;
- Inability to protect against cyber security risks and to maintain the integrity of data;
- The impact of our debt service obligations and restrictive debt covenants;
- Claims against us as a result of our independent distributors failing to comply with our policies and procedures;
- International trade or foreign exchange restrictions, increased tariffs, foreign currency exchange;
- Deterioration of global economic conditions;
- Inability to maintain appropriate level of internal control over financial reporting;
- We may be unable to raise additional capital if needed;
- Exposure to environmental liabilities stemming from past operations and property ownership;
- Significant dependence upon a single product;
- Our inability to retain independent distributors or to attract new independent distributors on an ongoing basis;
- High quality material for our products may become difficult to obtain or expensive;
- Improper actions by our independent distributors that violate laws or regulations;
- Our dependence on third parties to manufacture our products;

- Disruptions to the transportation channels used to distribute our products;
- We may be subject to a product recall;
- Government regulations on direct selling activities may prohibit or severely restrict business model;
- Unfavorable publicity on our business or products;
- Our direct selling program could be found to not be in compliance with current or newly adopted laws or regulations;
- Legal proceedings may be expensive and time consuming;
- Our business is subject to strict government regulations;
- Regulations governing the production or marketing of our products;
- We are subject to the risk of investigatory and enforcement action by the federal trade commission;
- Government authorities may question our tax positions or transfer pricing policies or change their laws in a manner that could increase our effective tax rate or otherwise harm our business;
- Failure to comply with anti-corruption laws;
- Loss of, or inability to attract, key personnel;
- We could be held responsible for certain taxes or assessments relating to the activity of our independent distributors;
- Competition in the dietary supplement market;
- Our inability to protect our intellectual property rights;
- Third party claims that we infringe on their intellectual property;
- Product liability claims against us;
- Economic, political, foreign exchange and other risks associated with international operations;
- Our inability to regain compliance with the Nasdaq Capital Market continued listing standards;
- Volatility of the market price of our common stock;
- Substantial sales of shares may negatively impact the market price of our common stock;
- Significant dilution of outstanding voting shares if holders of our existing warrants and options exercise their securities for shares of common stock;
- We have not paid dividends on our capital stock, and we do not currently anticipate paying dividends in the foreseeable future; and
- Other factors not specifically described above, including the other risks, uncertainties, and contingencies described under “Business”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Items 1, 1A and 7 of our Annual Report on Form 10-K for the year ended June 30, 2014 and under "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this report and the documents incorporated by reference. We have no obligation and, except as required by law, do not undertake to update or revise any such forward-looking statements to reflect events or circumstances after the date of this report.

LIFEVANTAGE CORPORATION
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PART I Financial Information
Item 1. Financial Statements
LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of, March 31, 2015	June 30, 2014
(In thousands, except per share data)		
ASSETS		
Current assets		
Cash and cash equivalents	$15,353	$20,387
Accounts receivable	1,258	1,317
Income tax receivable	3,490	4,681
Inventory	10,899	8,826
Current deferred income tax asset	158	158
Prepaid expenses and deposits	3,699	4,604
Total current assets	34,857	39,973
Property and equipment, net	6,239	6,941
Intangible assets, net	1,913	2,014
Deferred debt offering costs, net	1,164	1,353
Long-term deferred income tax asset	1,285	1,285
Other long-term assets	1,468	2,433
TOTAL ASSETS	$46,926	$53,999
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities		
Accounts payable	$2,723	$2,854
Commissions payable	6,719	7,594
Other accrued expenses	6,154	7,554
Current portion of long-term debt	9,200	4,700
Total current liabilities	24,796	22,702
Long-term debt		
Principal amount	18,100	26,125
Less: unamortized discount	(905)	(1,052)
Long-term debt, net of unamortized discount	17,195	25,073
Other long-term liabilities	2,105	2,234
Total liabilities	44,096	50,009
Commitments and contingencies - Note 6		
Stockholders’ equity		
Preferred stock — par value $0.001 per share, 50,000 shares authorized, no shares issued or outstanding	—	—
Common stock — par value $0.001 per share, 250,000 shares authorized and 96,985 and 102,173 issued and outstanding as of March 31, 2015 and June 30, 2014, respectively	97	102
Additional paid-in capital	117,248	115,244
Accumulated deficit	(114,321)	(111,240)
Accumulated other comprehensive loss	(194)	(116)
Total stockholders’ equity	2,830	3,990

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$46,926	$53,999

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2015	2014	2015	2014
(In thousands, except per share data)				
Revenue, net	$45,155	$55,064	$145,035	$157,930
Cost of sales	7,552	8,459	20,717	24,212
Gross profit	37,603	46,605	124,318	133,718
Operating expenses:				
Commissions and incentives	21,637	26,760	69,406	77,558
Selling, general and administrative	14,481	15,378	42,572	41,457
Total operating expenses	36,118	42,138	111,978	119,015
Operating income	1,485	4,467	12,340	14,703
Other income (expense):				
Interest expense	(748)	(1,160)	(2,341)	(1,996)
Other income (expense), net	(13)	(118)	(56)	391
Total other income (expense)	(761)	(1,278)	(2,397)	(1,605)
Income before income taxes	724	3,189	9,943	13,098
Income tax expense	(151)	(695)	(3,182)	(4,066)
Net income	$573	$2,494	$6,761	$9,032
Net income per share:				
Basic	$0.01	$0.02	$0.07	$0.08
Diluted	$0.01	$0.02	$0.07	$0.08
Weighted-average shares outstanding:				
Basic	96,069	101,594	97,785	107,385
Diluted	97,725	106,578	99,793	113,717
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	1	103	(78)	(363)
Other comprehensive income (loss), net of tax	$1	$103	$(78)	$(363)
Comprehensive income	$574	$2,597	$6,683	$8,669

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
(In thousands)						
Balances, June 30, 2014	102,173	$102	$115,244	$(111,240)	$(116)	$3,990
Stock-based compensation	—	—	1,432	—	—	1,432
Exercise of options and warrants	2,578	3	572	—	—	575
Issuance of shares related to restricted stock	325	—	—	—	—	—
Shares canceled or surrendered as payment of tax withholding	(538)	—	—	—	—	—
Repurchase of company stock	(7,553)	(8)	—	(9,842)	—	(9,850)
Currency translation adjustment	—	—	—	—	(78)	(78)
Net income	—	—	—	6,761	—	6,761
Balances, March 31, 2015	96,985	$97	$117,248	$(114,321)	$(194)	$2,830

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended March 31,	
	2015	2014
(In thousands)		
Cash Flows from Operating Activities:		
Net income	$6,761	$9,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,738	1,527
Stock-based compensation	1,505	2,169
Amortization of deferred financing fees	189	99
Amortization of debt discount	147	76
Changes in operating assets and liabilities:		
Decrease / (increase) in receivables	1,130	(189)
Decrease / (increase) in inventory	(2,502)	1,858
Decrease / (increase) in prepaid expenses and deposits	793	(2,719)
Decrease / (increase) in long-term assets	813	(1,645)
Decrease in accounts payable	(67)	(2,527)
Increase / (decrease) in accrued expenses	(1,488)	2,596
Decrease in other long-term liabilities	(58)	(100)
Net Cash Provided by Operating Activities	8,961	10,177
Cash Flows from Investing Activities:		
Purchase of equipment	(1,103)	(1,671)
Net Cash Used in Investing Activities	(1,103)	(1,671)
Cash Flows from Financing Activities:		
Proceeds from term loan	—	45,825
Payment of deferred financing fees	—	(1,511)
Excess tax benefit from stock-based compensation	148	—
Repurchase of company stock	(9,850)	(43,170)
Payment on term loan	(3,525)	(1,175)
Exercise of options and warrants	428	1,239
Net Cash (Used in) / Provided by Financing Activities	(12,799)	1,208
Foreign Currency Effect on Cash	(93)	(332)
Increase (Decrease) in Cash and Cash Equivalents:	(5,034)	9,382
Cash and Cash Equivalents — beginning of period	20,387	26,299
Cash and Cash Equivalents — end of period	$15,353	$35,681
Non Cash Investing and Financing Activities:		
Increase in property and equipment/other long-term liabilities	$—	$1,386
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$2,004	$1,821
Cash paid for income taxes	$1,816	$3,461

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

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LIFEVANTAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

These unaudited Condensed Consolidated Financial Statements and Notes should be read in conjunction with the audited financial statements and notes of LifeVantage Corporation (the "Company") as of and for the year ended June 30, 2014 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on September 10, 2014.

Note 1 — Organization and Basis of Presentation

LifeVantage Corporation is a company dedicated to helping people achieve their health, wellness and financial independence goals. We provide quality, scientifically-validated products and a financially rewarding network marketing business opportunity to customers and independent distributors who seek a healthy lifestyle and financial freedom. We sell our products to independent distributors and preferred customers located in the United States, Japan, Hong Kong, Australia, Canada, Philippines, Mexico and Thailand.

We engage in the identification, research, development and distribution of advanced nutraceutical dietary supplements and skin care products, including Protandim®, our scientifically-validated dietary supplement, LifeVantage TrueScience®, our line of anti-aging skin care products, Canine Health®, our companion pet supplement formulated to combat oxidative stress in dogs, and Axio®, our energy drink mixes.

The condensed consolidated financial statements included herein have been prepared by the Company's management, without audit, pursuant to the rules and regulations of the SEC. In the opinion of the Company's management, these interim Financial Statements include all adjustments, consisting of normal recurring adjustments, that are considered necessary for a fair presentation of its financial position as of March 31, 2015, and the results of operations for the three and nine months ended March 31, 2015 and 2014 and the cash flows for the nine months ended March 31, 2015 and 2014. Interim results are not necessarily indicative of results for a full year or for any future period.

The condensed consolidated financial statements and notes included herein are presented as required by Form 10-Q, and do not contain certain information included in the Company's audited financial statements and notes for the fiscal year ended June 30, 2014 pursuant to the rules and regulations of the SEC. For further information, refer to the financial statements and notes thereto as of and for the year ended June 30, 2014, and included in the Annual Report on Form 10-K on file with the SEC.

Note 2 — Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

We prepare our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America (GAAP). In preparing these statements, we are required to use estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. On an ongoing basis, we review our estimates, including those related to inventory obsolescence, sales returns, income taxes and tax valuation reserves, share-based compensation, and loss contingencies.

Translation of Foreign Currency Statements

A portion of the Company's business operations occurs outside the United States. The local currency of each of the Company's subsidiaries is generally its functional currency. All assets and liabilities are translated into U.S. dollars at exchange rates existing at the balance sheet dates, revenue and expenses are translated at weighted-average exchange rates and stockholders' equity is recorded at historical exchange rates. The resulting foreign currency translation adjustments are recorded as a separate component of stockholders' equity in the condensed consolidated balance sheets and as a component of comprehensive income. Transaction gains and losses and currency translation gains and losses on intercompany balances denominated in a foreign currency are included in other income (expense), net in the condensed consolidated statements of operations. Net foreign currency losses of $0.1 million and $0.4 million are recorded in other income (expense), net for the three and nine months ended March 31, 2015, respectively.

Derivative Instruments and Hedging Activities

The Company's subsidiaries enter into transactions with each other which may not be denominated in the respective subsidiaries' functional currencies. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates through the use of derivatives. The Company does not use such derivative financial instruments for trading or speculative purposes.

To hedge risks associated with the foreign-currency-denominated intercompany transactions, the Company entered into forward foreign exchange contracts which were settled in March 2015 and were not designated for hedge accounting. For the three and nine months ended March 31, 2015, a realized loss of $0.1 million and a gain of $0.3 million, respectively, related to forward contracts, are recorded in other income (expense), net. The Company did not hold any derivative instruments at March 31, 2015.

Cash and Cash Equivalents

The Company considers only its monetary liquid assets with original maturities of three months or less as cash and cash equivalents.

Concentration of Credit Risk

Accounting guidance for financial instruments requires disclosure of significant concentrations of credit risk regardless of the degree of such risk. Financial instruments with significant credit risk include cash and investments. At March 31, 2015, the Company had $11.8 million in cash accounts that were held primarily at one financial institution and $3.6 million in accounts at other financial institutions. As of March 31, 2015 and June 30, 2014, and during the periods then ended, the Company’s cash balances exceeded federally insured limits.

Accounts Receivable

The Company’s accounts receivable as of March 31, 2015 and June 30, 2014 consist primarily of credit card receivables. Based on the Company’s verification process for customer credit cards and historical information available, management has determined that an allowance for doubtful accounts on credit card sales as of March 31, 2015 is not necessary. No bad debt expense has been recorded for the periods ended March 31, 2015 and March 31, 2014.

Inventory

As of March 31, 2015 and June 30, 2014, inventory consisted of (in thousands):

	March 31, 2015	June 30, 2014
Finished goods	$7,185	$4,749
Raw materials	3,714	4,077
Total inventory	$10,899	$8,826

Inventories are carried and depicted above at the lower of cost or market, using the first-in, first-out method, which includes a reduction in inventory values of $0.4 million and $0.7 million at March 31, 2014 and June 30, 2014, respectively, related to obsolete and slow-moving inventory.

Revenue Recognition

The Company ships the majority of its product directly to the consumer and receives substantially all payment for these sales in the form of credit card receipts. Revenue from direct product sales to customers is recognized upon passage of title and risk of loss. Estimated returns are recorded when product is shipped. With some exceptions based on local regulations, the Company’s return policy is to provide a full refund for product returned within 30 days if the returned product is unopened or defective. After 30 days, the Company generally does not issue refunds to direct sales customers for returned product. The Company allows terminating distributors to return up to 30% of unopened, unexpired product that they have purchased within the prior twelve months for a full refund, less a 10% restocking fee. The Company establishes the returns reserve based on historical experience. The returns reserve is evaluated on a quarterly basis. As of March 31, 2015 and June 30, 2014, the Company’s reserve balance for returns and allowances was approximately $0.1 million and $0.6 million, respectively.

Shipping and Handling

Shipping and handling costs associated with inbound freight and freight out to customers, including independent distributors, are included in cost of sales. Shipping and handling fees charged to customers are included in sales.

Research and Development Costs

The Company expenses all costs related to research and development activities as incurred. Research and development expenses for the nine months ended March 31, 2015 and 2014 were approximately $1.8 million and $1.5 million, respectively.

Stock-Based Compensation

The Company recognizes stock-based compensation by measuring the cost of services to be rendered based on the grant date fair value of the equity award. The Company recognizes stock-based compensation, net of any estimated forfeitures, over the period an employee is required to provide service in exchange for the award, generally referred to as the requisite service period. For awards with market conditions, the cost of the awards is recognized as the requisite service is rendered by employees, regardless of when, if ever, the market conditions are satisfied.

The Black-Scholes option pricing model is used to estimate the fair value of stock options. The determination of the fair value of stock options is affected by the Company's stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The Company uses historical volatility as the expected volatility assumption required in the Black-Scholes model. The Company utilizes a simplified method for estimating the expected life of the options. The Company uses this method because it believes that it provides a better estimate than the Company’s historical data as post vesting exercises have been limited. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected terms of the stock options.

The fair value of restricted stock grants is based on the closing market price of the Company's stock on the date of grant less the Company's expected dividend yield. The fair value of restricted stock units granted that include market conditions is based on the closing market price of the Company's stock on the date of grant less the Company's expected dividend yield, with further adjustments made to reflect the market conditions that must be satisfied in order for the restricted stock units to vest by using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model include the risk-free rate, expected volatility, expected dividends and the correlation coefficient. The fair value of performance-based awards to be paid in cash, accounted for as liabilities, is remeasured at the end of each reporting period and is based on the closing market price of the Company’s stock on the last day of the reporting period. The Company recognizes compensation costs for awards with performance conditions when it concludes it is probable that the performance conditions will be achieved. The Company reassesses the probability of vesting at each balance sheet date and adjusts compensation as needed.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the effective date of the change.

For the nine months ended March 31, 2015 and 2014 the Company recognized income tax expense of $3.2 million and $4.1 million, respectively, which is reflective of the Company’s current estimated federal, state and foreign effective tax rate. Realization of deferred tax assets is dependent upon future earnings in specific tax jurisdictions, the timing and amount of which are uncertain. The Company continues to evaluate the realizability of the deferred tax asset based upon achieved and estimated future results. The difference between the nine months ended March 31, 2015 effective rate of 32.0% and the Federal statutory rate of 35.0% is due primarily to return to provision adjustments and other discrete items.

Income Per Share

Basic income per common share is computed by dividing the net income or loss by the weighted-average number of common shares outstanding during the period, less unvested restricted stock awards. Diluted income per common share is computed by dividing net income by the weighted-average number of common shares and potentially dilutive common share equivalents using the treasury stock method.

For the three and nine months ended March 31, 2015 the effects of approximately 2.8 million and 2.3 million common shares, respectively, issuable upon exercise of options and non-vested shares of restricted stock granted pursuant to the Company’s 2007 and 2010 Long-Term Incentive Plans are not included in computations because their effect was anti-dilutive. For the three and nine months ended March 31, 2014 the effects of approximately 2.1 million and 0.9 million common shares, respectively, issuable upon exercise of options granted pursuant to the Company’s 2007 and 2010 Long-Term Incentive Plans were not included in computations because their effect was anti-dilutive.

The following is a reconciliation of net income per share and the weighted-average common shares outstanding for purposes of computing basic and diluted net income per share (in thousands except per share amounts):

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2015	2014	2015	2014
Numerator:				
Net income	$573	$2,494	$6,761	$9,032
Denominator:				
Basic weighted-average common shares outstanding	96,069	101,594	97,785	107,385
Effect of dilutive securities:				
Stock awards and options	1,166	1,974	1,500	2,929
Warrants	490	3,010	508	3,403
Diluted weighted-average common shares outstanding	97,725	106,578	99,793	113,717
Net income per share, basic	$0.01	$0.02	$0.07	$0.08
Net income per share, diluted	$0.01	$0.02	$0.07	$0.08

Segment Information

The Company operates in a single operating segment by selling products to a global network of independent distributors that operates in an integrated manner from market to market. Commissions and incentives expenses are the Company’s largest expense comprised of the commissions paid to its worldwide independent distributors. The Company manages its business primarily by managing its global network of independent distributors. The Company does not use profitability reports on a regional or divisional basis for making business decisions. However, the Company does report revenue in two geographic regions: Americas and Asia/Pacific. Revenues by geographic area are as follows (in thousands):

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2015	2014	2015	2014
Americas	$32,901	$32,641	$104,397	$101,557
Asia/Pacific	12,254	22,423	40,638	56,373
Total revenues	$45,155	$55,064	$145,035	$157,930

Additional information as to the Company’s revenue from operations in the most significant geographical areas is set forth below (in thousands):

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2015	2014	2015	2014
United States	$31,715	$31,619	$100,428	$98,415
Japan	$			