

Identiv, Inc.
Form 10-Q
August 13, 2018

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, 2018

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: 000-29440

IDENTIV, INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

77-0444317
(I.R.S. Employer
Identification No.)

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2201 Walnut Avenue, Suite 100

Fremont, California 94538
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (949) 250-8888

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 1, 2018, the registrant had 15,353,391 shares of common stock, \$0.001 par value per share, outstanding.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except par value)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash	\$17,922	\$ 19,052
Accounts receivable, net of allowances of \$358 and \$306 as of June 30, 2018 and December 31, 2017, respectively	13,974	12,282
Inventories	12,751	11,126
Prepaid expenses and other current assets	1,884	1,779
Total current assets	46,531	44,239
Property and equipment, net	2,012	2,043
Intangible assets, net	9,686	4,365
Goodwill	5,781	—
Other assets	1,039	715
Total assets	\$65,049	\$ 51,362
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$7,181	\$ 5,863
Current portion - payment obligation	953	888
Current portion - financial liabilities, net of discount and debt issuance costs of \$133 and \$404, respectively	13,586	9,829
Notes payable	2,000	—
Deferred revenue	2,943	900
Accrued compensation and related benefits	1,804	1,515
Other accrued expenses and liabilities	2,686	2,020
Total current liabilities	31,153	21,015
Long-term payment obligation	2,447	2,998
Long-term financial liabilities, net of discount and debt issuance costs of \$0 and \$582, respectively	—	2,921
Long-term deferred revenue	958	190
Other long-term liabilities	438	385
Total liabilities	34,996	27,509
Commitments and contingencies (see Note 13)		
Stockholders' equity:		
Identiv, Inc. stockholders' equity:		
Series B Preferred stock, \$0.001 par value: 5,000 shares authorized; 5,000	5	3

and 3,000 shares issued and outstanding as of June 30, 2018 and December 31, 2017,

respectively

Common stock, \$0.001 par value: 50,000 shares authorized; 16,316 and 15,341 shares

issued and 15,339 and 14,436 shares outstanding as of June 30, 2018 and December 31, 2017,

respectively

Additional paid-in capital	16	15
	440,289	428,470

Treasury stock, 977 and 905 shares as of June 30, 2018 and December 31, 2017,

respectively

Accumulated deficit	(7,763)	(7,485)
	(404,696)	(399,647)

Accumulated other comprehensive income	2,372	2,675
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Total Identiv, Inc. stockholders' equity	30,223	24,031
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Noncontrolling interest	(170)	(178)
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Total stockholders' equity	30,053	23,853
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Total liabilities and stockholders' equity	\$65,049	\$ 51,362
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The accompanying notes are an integral part of these condensed consolidated financial statements.

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net revenue	\$20,294	\$14,840	\$36,822	\$28,232
Cost of revenue	12,141	9,157	22,161	16,852
Gross profit	8,153	5,683	14,661	11,380
Operating expenses:				
Research and development	1,837	1,511	3,524	2,988
Selling and marketing	4,358	3,315	8,261	6,694
General and administrative	2,756	2,085	5,311	3,872
Restructuring and severance	258	—	368	—
Total operating expenses	9,209	6,911	17,464	13,554
Loss from operations	(1,056)	(1,228)	(2,803)	(2,174)
Non-operating income (expense):				
Interest expense, net	(472)	(678)	(948)	(1,352)
(Loss) gain on extinguishment of debt, net	(1,369)	—	(1,369)	977
Foreign currency gains (losses), net	192	1	154	(151)
Loss before income taxes and noncontrolling interest	(2,705)	(1,905)	(4,966)	(2,700)
Income tax (provision) benefit	(40)	1	(80)	119
Loss before noncontrolling interest	(2,745)	(1,904)	(5,046)	(2,581)
Less: Income attributable to noncontrolling interest	—	—	(5)	(10)
Net loss attributable to Identiv, Inc.	\$(2,745)	\$(1,904)	\$(5,051)	\$(2,591)
Basic and diluted net loss per share attributable to Identiv, Inc.	\$(0.18)	\$(0.15)	\$(0.33)	\$(0.22)
Weighted average shares used to compute basic and diluted loss per share	15,584	12,657	15,349	12,008

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$(2,745)	\$(1,904)	\$(5,046)	\$(2,581)
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustment	(412)	(43)	(300)	140
Total other comprehensive (loss) income, net of income				
taxes	(412)	(43)	(300)	140
Comprehensive loss	(3,157)	(1,947)	(5,346)	(2,441)
Less: Comprehensive income attributable to				
noncontrolling interest	—	(1)	(8)	(7)
Comprehensive loss attributable to Identiv, Inc. common				
stockholders	\$(3,157)	\$(1,948)	\$(5,354)	\$(2,448)

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(Unaudited, in thousands)

	Series B Convertible		Additional				Accumulated			Totaling
	Preferred Stock Shares	Common Stock Shares	Paid-in Capital	Treasury Stock	Accumulated Deficit	Other Comprehensive Income	Noncontrolling Interest	Equity		
Balances, December 31, 2017	3,000	\$3 14,436	\$15 \$428,470	\$(7,485)	\$(399,647)	\$2,675	\$(178)	\$23,853		
Net loss	—	—	—	—	(5,051)	—	5	(5,046)		
Other comprehensive loss	—	—	—	—	—	(303)	3	(300)		
Impact of adoption of Topic										
606 (Note 2)	—	—	—	—	2	—	—	2		
Issuance of Series B										
preferred stock, net										
of issuance costs	2,000	2	—	7,893	—	—	—	7,895		
Issuance of common stock in										
connection with acquisition										
of business		723	1	2,634	—	—	—	2,635		
Issuance of common stock										
in connection with										
vesting of stock awards	—	—	249	—	—	—	—	—		
Stock-based compensation	—	—	—	1,284	—	—	—	1,284		
Shares withheld in payment										
of taxes in connection with										
net share settlement of										
restricted stock units	—	—	(72)	—	(278)	—	—	(278)		
Issuance of shares to non-										
employees	—	—	3	8	—	—	—	8		
Balances, June 30, 2018	5,000	\$5 15,339	\$16 \$440,289	\$(7,763)	\$(404,696)	\$2,372	\$(170)	\$30,053		

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(5,046)	\$(2,581)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,561	1,376
Loss (gain) on extinguishment of debt, net	1,369	(977)
Accretion of interest on long-term payment obligation	124	195
Amortization of debt issuance costs	223	421
Stock-based compensation expense	1,284	1,252
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	323	