

ECHELON CORP
Form 10-Q
May 11, 2017

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 March 31, 2017
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 001-37755

ECHELON CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware 77-0203595

State or Other Jurisdiction of Incorporation or Organization I.R.S. Employer Identification No.

2901 Patrick Henry Drive 95054
Santa Clara, CA

Address of Principal Executive Offices Zip Code
(408) 938-5200

Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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 Act). Yes No

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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of April 30, 2017, 4,441,992 shares of the registrant's common stock were outstanding.

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FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of the U.S. federal securities laws that involve risks and uncertainties. Certain statements contained in this report are not purely historical including, without limitation, statements regarding our expectations, beliefs, intentions, anticipations, commitments or strategies regarding the future that are forward-looking. These statements include those discussed in Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations, including “Critical Accounting Estimates,” “Results of Operations,” “Off-Balance-Sheet Arrangements and Other Critical Contractual Obligations,” “Liquidity and Capital Resources,” and “Recently Issued Accounting Standards,” and elsewhere in this report.

In this report, the words “may,” “could,” “would,” “might,” “will,” “should,” “plan,” “forecast,” “anticipate,” “believe,” “expect,” “estimate,” “predict,” “potential,” “continue,” “future,” “moving toward” or the negative of these terms or other similar expressions also identify forward-looking statements. Our actual results could differ materially from those forward-looking statements contained in this report as a result of a number of risk factors including, but not limited to, those set forth in the section entitled “Factors That May Affect Future Results of Operations” and elsewhere in this report. You should carefully consider these risks, in addition to the other information in this report and in our other filings with the SEC. All forward-looking statements and reasons why results may differ included in this report are made as of the date of

this report, and we assume no obligation to update any such forward-looking statement or reason why such results might differ, except as required by law.

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PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ECHELON CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	March 31,	December 31,
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,325	\$ 9,803
Restricted investments	1,250	1,250
Short-term investments	11,977	11,983
Accounts receivable, net	3,035	3,015
Inventories	2,516	2,570
Deferred cost of revenues	1,235	1,104
Other current assets	1,025	900
Total current assets	29,363	30,625
Property and equipment, net	395	445
Intangible assets, net	897	953
Other long term assets	875	885
Total assets	\$ 31,530	\$ 32,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,728	\$ 1,697
Accrued liabilities	1,550	2,174
Deferred revenues	3,558	3,671
Total current liabilities	6,836	7,542
LONG-TERM LIABILITIES:		
Other long-term liabilities	684	688
Total long-term liabilities	684	688
STOCKHOLDERS' EQUITY:		
Common stock	48	48
Additional paid-in capital	358,572	358,123
Treasury stock	(28,130)	(28,130)
Accumulated other comprehensive loss	(2,355)	(2,437)
Accumulated deficit	(304,379)	(303,180)
Total Echelon Corporation stockholders' equity	23,756	24,424
Noncontrolling interest in subsidiary	254	254
Total stockholders' equity	24,010	24,678
Total liabilities and stockholders' equity	\$ 31,530	\$ 32,908

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2017	2016
Revenues ⁽²⁾	\$7,799	\$8,647
Cost of revenues ⁽¹⁾	3,326	3,805
Gross profit	4,473	4,842
Operating expenses:		
Product development ⁽¹⁾	2,227	2,193
Sales and marketing ⁽¹⁾	1,462	1,302
General and administrative ⁽¹⁾	1,924	2,011
Total operating expenses	5,613	5,506
Loss from operations	(1,140)	(664)
Interest and other income (expense), net	(65)	(205)
Loss before provision for income taxes	(1,205)	(869)
Income tax expense (benefit)	(6)	6
Net loss	\$(1,199)	\$(875)
Basic and diluted net loss per share	\$(0.27)	\$(0.20)
Shares used in computing net loss per share:		
Basic	4,434	