

ENERGY FOCUS, INC/DE
Form 10-Q
November 14, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

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 0-24230

ENERGY FOCUS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3021850
(I.R.S. Employer
Identification No.)

32000 Aurora Rd., Solon, OH
(Address of principal executive offices)

44139
(Zip Code)

(Registrant's telephone number, including area code): **(440) 715-1300**

None
(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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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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

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

The number of outstanding shares of the registrant's Common Stock, \$0.0001 par value, as of October 31, 2011 was 24,845,222.

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Table of Contents**Item 1. Financial Statements****ENERGY FOCUS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS***(amounts in thousands except share and per share data)*

	September 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,803	\$ 3,979
Restricted cash	87	128
Accounts receivable trade, net of allowances of \$365 in 2011 and \$446 in 2010	3,281	5,483
Retainage receivable	597	731
Inventories, net	3,135	2,543
Costs in excess of billings	17	22
Prepaid and other current assets	768	632
Total current assets	9,688	13,518
Property and equipment, net	2,206	2,446
Goodwill	672	672
Intangible assets, net	1,190	1,677
Collateralized assets	1,000	2,000
Other assets	15	61
Total assets	\$ 14,771	\$ 20,374
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 5,790	\$ 7,167
Accrued liabilities	1,471	1,833
Short-term acquisition-related contingent liabilities	708	525
Deferred revenue	1,396	1,214
Billings in excess of costs	184	297
Current portion of long-term borrowings	580	481
Total current liabilities	10,129	11,517
Other deferred liabilities	50	28
Long-term acquisition-related contingent liabilities	590	827
Long-term borrowings	1,972	1,344
Total liabilities	12,741	13,716
SHAREHOLDERS EQUITY		
<i>Preferred stock, par value \$0.0001 per share:</i>		
Authorized: 2,000,000 shares in 2011 and 2010		
Issued and outstanding: no shares in 2011 and 2010		
<i>Common stock, par value \$0.0001 per share:</i>		
Authorized: 60,000,000 shares in 2011 and 2010		
Issued and outstanding: 24,845,000 at September 30, 2011 and 23,962,000 at December 31, 2010	1	1
Additional paid-in capital	75,909	75,094

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Accumulated other comprehensive income	425	423
Accumulated deficit	(74,305)	(68,860)
Total shareholders' equity	2,030	6,658
Total liabilities and shareholders' equity	\$ 14,771	\$ 20,374

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

Table of Contents**ENERGY FOCUS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS***(amounts in thousands except per share amounts)***(unaudited)**

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2011	2010	2011	2010
Net sales	\$ 6,046	\$ 9,049	\$ 19,699	\$ 26,364
Cost of sales	4,831	7,187	15,777	21,539
Gross profit	1,215	1,862	3,922	4,825
Operating expenses (income):				
Research and development	(278)	(22)	(144)	(101)
Sales and marketing	1,524	1,721	5,095	4,858
General and administrative	1,212	1,528	3,834	4,723
Valuation of equity instruments		53	56	1,803
Restructuring charges				26
Total operating expenses	2,458	3,280	8,841	11,309
Loss from operations	(1,243)	(1,418)	(4,919)	(6,484)
Other income (expense):				
Other (expense) income	(6)	9	65	(57)
Interest expense	(206)	(153)	(578)	(400)
Loss before income taxes	(1,455)	(1,562)	(5,432)	(6,941)
Provision for income taxes	(4)	(1)	(13)	(4)
Net loss	\$ (1,459)	\$ (1,563)	\$ (5,445)	\$ (6,945)
Net loss per share - basic and diluted	\$ (0.06)	\$ (0.07)	\$ (0.22)	\$ (0.31)
Shares used in computing net loss per share - basic and diluted	24,845	23,420	24,610	22,431

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

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ENERGY FOCUS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(amounts in thousands)

(unaudited)

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2011	2010	2011	2010
Net loss	\$ (1,459)	\$ (1,563)	\$ (5,445)	\$ (6,945)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(27)	99	2	1
Comprehensive loss	\$ (1,486)	\$ (1,464)	\$ (5,443)	\$ (6,944)

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

Table of Contents**ENERGY FOCUS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(amounts in thousands)***(unaudited)**

	Nine months ended	
	September 30,	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (5,445)	\$ (6,945)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	463	597
Stock-based compensation	384	754
Valuation of equity instruments	56	1,803
Provision for doubtful accounts receivable	45	66
Amortization of intangible assets	487	805
Amortization of discounts on long-term borrowings	375	200
Deferred revenue	70	587
Gain on disposal of fixed assets	(10)	(16)
Changes in assets and liabilities:		
Accounts receivable, inventories, and other assets	2,512	(1,956)
Accounts payable and accrued liabilities	(1,980)	4,260