

APPLIED OPTOELECTRONICS, INC.

Form 10-Q

November 08, 2018

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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 September 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: 001-36083

Applied Optoelectronics, Inc.

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(Exact name of registrant as specified in its charter)

Delaware 76-0533927
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

13139 Jess Pirtle Blvd.

Sugar Land, TX 77478

(Address of principal executive offices)

(281) 295-1800

(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 ("Exchange Act") 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 every Interactive Data File required to be submitted 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 such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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
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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: as of November 1, 2018 there were 19,798,663 shares of the registrant's Common Stock outstanding.

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Part I. Financial Information

Item 1. Condensed Consolidated Financial Statements

Applied Optoelectronics, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share data)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 56,380	\$ 82,936
Restricted cash	1,695	1,012
Short-term investments	6,022	36
Accounts receivable - trade, net of allowance of \$31 and \$33, respectively	32,028	59,850
Inventories	107,905	75,768
Prepaid income tax	763	1,394
Prepaid expenses and other current assets	10,377	8,701
Total current assets	215,170	229,697
Property, plant and equipment, net	222,545	197,943
Land use rights, net	5,832	804
Intangible assets, net	3,971	4,007
Deferred income tax assets	18,493	12,801
Other assets, net	15,074	7,732
TOTAL ASSETS	\$ 481,085	\$ 452,984
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of notes payable and long-term debt	\$ 8,275	\$ 559
Accounts payable	53,706	43,624
Accrued income taxes	—	7,422
Accrued liabilities	20,723	19,103
Total current liabilities	82,704	70,708
Notes payable and long-term debt, less current portion	62,896	49,000
TOTAL LIABILITIES	145,600	119,708
Stockholders' equity:		
Preferred Stock; 5,000 shares authorized at \$0.001 par value; no shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	—	—
Common Stock; 45,000 shares authorized at \$0.001 par value; 19,758 and 19,451 shares issued and outstanding at September 30, 2018 and	20	19

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December 31, 2017, respectively		
Additional paid-in capital	290,070	285,376
Accumulated other comprehensive income	835	9,743
Retained earnings	44,560	38,138
TOTAL STOCKHOLDERS' EQUITY	335,485	333,276
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 481,085	\$ 452,984

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

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Applied Optoelectronics, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except share and per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenue, net	\$ 56,386	\$ 88,879	\$ 209,447	\$ 302,474
Cost of goods sold	38,849	49,507	132,211	168,348
Gross profit	17,537	39,372	77,236	134,126
Operating expenses				
Research and development	14,180	9,190	38,561	24,695
Sales and marketing	2,370	2,551	7,221	6,612
General and administrative	10,591	9,580	29,945	26,188
Total operating expenses	27,141	21,321	75,727	57,495
Income (loss) from operations	(9,604)	18,051	1,509	76,631
Other income (expense)				
Interest income	86	61	223	166
Interest expense	(274)	(248)	(624)	(792)
Other income (expense), net	766	(354)	1,320	(898)
Total other income (expense), net	578	(541)	919	(1,524)
Income (loss) before income taxes	(9,026)	17,510	2,428	75,107
Income tax (expense) benefit	5,294	1,865	3,994	(6,872)
Net income (loss)	\$ (3,732)	\$ 19,375	\$ 6,422	\$ 68,235
Net income (loss) per share				
Basic	\$ (0.19)	\$ 1.00	\$ 0.33	\$ 3.59
Diluted	\$ (0.19)	\$ 0.95	\$ 0.32	\$ 3.39
Weighted average shares used to compute net income (loss) per share:				
Basic	19,707,036	19,294,022	19,597,181	18,993,068
Diluted	19,707,036	20,422,609	20,038,657	20,133,644

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

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Applied Optoelectronics, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited, in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ (3,732)	\$ 19,375	\$ 6,422	\$ 68,235
Gain (loss) on foreign currency translation adjustment	(4,798)	2,032	(8,908)	7,285
Comprehensive income (loss)	\$ (8,530)	\$ 21,407	\$ (2,486)	\$ 75,520

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

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Applied Optoelectronics, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Three and Nine months ended September 30, 2018 and 2017

(Unaudited, in thousands)

	Preferred Stock Number of shares	Amount	Common Stock Number of shares	Amount	Additional paid-in capital	Accumulated other comprehensive gain (loss)	Retained earnings	Stockholders' equity
July 1, 2018	—	\$ —	19,634	\$ 20	\$ 288,686	\$ 5,633	\$ 48,292	\$ 342,631
Stock options exercised, net of shares withheld for employee tax	—	—	43	—	(845)	—	—	(845)
Issuance of restricted stock, net of shares withheld for employee tax	—	—	81	—	(665)	—	—	(665)
Share-based compensation	—	—	—	—	2,894	—	—	2,894
Foreign currency translation adjustment	—	—	—	—	—	(4,798)	—	(4,798)
Net income (loss)	—	—	—	—	—	—	(3,732)	(3,732)
September 30, 2018	—	\$ —	19,758	\$ 20	\$ 290,070	\$ 835	\$ 44,560	\$ 335,485

Accumulated