

ENERGY FOCUS, INC/DE
Form 10-Q
August 05, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

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

For the quarterly period ended June 30, 2015

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 Road, Suite B, 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

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

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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 July 31, 2015 was 10,042,050.

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PART I - FINANCIAL INFORMATION

Forward-looking statements

Unless the context otherwise requires, all references to “Energy Focus,” “we,” “us,” “our,” “our company,” or “the Company” to Energy Focus, Inc., a Delaware corporation, and its subsidiaries, and their respective predecessor entities for the applicable periods, considered as a single enterprise.

This Quarterly Report on Form 10-Q (“Quarterly Report”) includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “feels,” “seeks,” “forecasts,” “projects,” “intends,” “plans,” “may,” “will,” “should,” “could” or “would” and their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Quarterly Report and include statements regarding our intentions, beliefs, or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, capital expenditures, and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this Quarterly Report. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this Quarterly Report, those results or developments may not be indicative of results or developments in subsequent periods.

We believe that important factors that could cause our actual results to differ materially from forward-looking statements include, but are not limited to, the risks and uncertainties outlined under “Risk Factors” under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014 (“2014 Annual Report”) and other matters described in this Quarterly Report generally. Some of these factors include:

- our history of operating losses and our ability to generate sufficient cash from operations or receive sufficient financing, on acceptable terms, to continue our operations,
- general economic conditions in the United States and in other markets in which we operate,
- our dependence on government customers, in particular the U.S. Navy, and on the levels of funding available to such customers and our ability to satisfactorily fulfill our contractual obligations to such customers,
- our ability to implement and manage our growth plans and control expenses to increase sales and improve margins,
- market acceptance of LED lighting technology,
- our ability to respond to new lighting technologies and market trends with safe and reliable products,
- our ability to compete effectively against companies with greater resources,
- our ability to protect our intellectual property rights and the impact of any type of legal claim or dispute,
 - our reliance on a limited number of customers for a significant portion of our revenue,
- our ability to obtain critical components and finished products from third-party suppliers on acceptable terms,
- risks inherent in international markets, such as economic and political uncertainty, changing regulatory and tax requirements and currency fluctuations, and
- our ability to maintain effective internal controls.

In light of the foregoing, we caution you not to place undue reliance on our forward-looking statements. Any forward-looking statement that we make in this Quarterly Report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

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ITEM 1. FINANCIAL STATEMENTS

ENERGY FOCUS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$10,173	\$7,531
Trade accounts receivable less allowances of \$200 and \$323, respectively	2,506	3,113
Inventories, net	9,847	7,283
Prepaid and other current assets	1,084	1,002
Total current assets	23,610	18,929
Property and equipment, net	732	479
Other assets	111	88
Total assets	\$24,453	\$19,496
LIABILITIES		
Current liabilities:		
Accounts payable	\$4,911	\$7,601
Accrued liabilities	1,462	1,209
Accrued federal and state income taxes	923	—
Accrued warranty reserve	471	188
Deferred revenue	200	133
Billings in excess of costs and estimated earnings on uncompleted contracts	—	23
Credit line borrowings	455	453
Total current liabilities	8,422	9,607
Other liabilities	87	46
Long-term debt	70	70
Total liabilities	8,579	9,723
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.0001 per share:		
Authorized: 2,000,000 shares in 2015 and 2014		
Issued and outstanding: no shares in 2015 and 2014	—	—
Common stock, par value \$0.0001 per share:		
Authorized: 15,000,000 shares in 2015 and 2014		
Issued and outstanding: 10,025,790 at June 30, 2015 and 9,423,975 at December 31, 2014	1	1
Additional paid-in capital	101,003	98,133
Accumulated other comprehensive income	460	469
Accumulated deficit	(85,590	) (88,830)
Total stockholders' equity	15,874	9,773
Total liabilities and stockholders' equity	\$24,453	\$19,496

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

ENERGY FOCUS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net sales	\$16,621	\$6,699	\$29,766	\$11,618
Cost of sales	8,990	4,525	16,733	8,022
Gross profit	7,631	2,174	13,033	3,596
Operating expenses:				
Product development	657	203	1,200	394
Selling, general, and administrative	3,903	2,533	7,527	4,837
Total operating expenses	4,560	2,736	8,727	5,231
Operating income (loss)	3,071	(562)	) 4,306	(1,635)
Other expenses (income):				
Interest expense	26	28	49	2,646
Other (income) expenses	(25)	) 33	32	393
Income (loss) from continuing operations before income taxes	3,070	(623)	) 4,225	(4,674)
Provision for (benefit from) income taxes	923	(1)	) 913	(2)
Income (loss) from continuing operations	2,147	(622)	) 3,312	(4,672)
Discontinued operations:				
Loss from discontinued operations	—	—	—	(20)
Loss on sale of discontinued operations	(36)	) —	(72)) —
Loss from discontinued operations	(36)	) —	(72)	) (20)
Net income (loss)	\$2,111	\$(622)	) \$3,240	\$(4,692)
Net income (loss) per share - basic:				
From continuing operations	\$0.21	\$(0.08)	) \$0.34	\$(0.72)
From discontinued operations	—	—	(0.01)) —
Net income (loss) per share - basic:	\$0.21	\$(0.08)	) \$0.33	\$(0.72)
Net income (loss) per share - diluted:				
From continuing operations	\$0.21	\$(0.08)	) \$0.33	\$(0.72)
From discontinued operations	—	—	(0.01)) —
Net income (loss) per share - diluted:	\$0.21	\$(0.08)	) \$0.32	\$(0.72)
Weighted average shares used in computing net income (loss) per share:				
Basic	10,019	7,836	9,846	6,512
Diluted	10,138	7,836	10,058	6,512

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

ENERGY FOCUS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income (loss)	\$2,111	\$(622)	) \$3,240	\$(4,692)
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(36)	) 5	(9)	) 7
Comprehensive income (loss)	\$2,075	\$(617)	) \$3,231	\$(4,685)

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

ENERGY FOCUS, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2014	9,424	\$1	\$98,133	\$469	\$(88,830)	) \$9,773
Issuance of common stock under employee stock option and stock purchase plans	19	—				