

GSE SYSTEMS INC
Form 10-Q
November 14, 2013
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 September 30, 2013.

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: 001-14785

GSE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware 52-1868008
(State of incorporation) (I.R.S. Employer Identification No.)

1332 Londontown Blvd., Suite 200, Sykesville, MD 21784
(Address of principal executive office and zip code)

Registrant's telephone number, including area code: (410) 970-7800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 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 Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in rule 12(b)-2 of the Exchange Act).
Yes No

Edgar Filing: GSE SYSTEMS INC - Form 10-Q

There were 17,887,859 shares of common stock, with a par value of \$.01 per share outstanding as of November 13, 2013.

1

GSE SYSTEMS, INC.
 QUARTERLY REPORT ON FORM 10-Q
 INDEX

	PAGE
PART I. FINANCIAL INFORMATION	3
Item 1. Financial Statements:	
Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012	3
Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2013 and September 30, 2012	4
Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2013 and September 30, 2012	5
Consolidated Statement of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2013	6
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and September 30, 2012	7
Notes to Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3. Quantitative and Qualitative Disclosures About Market Risk	33
Item 4. Controls and Procedures	34
PART II. OTHER INFORMATION	35
Item 1. Legal Proceedings	35
Item 1A. Risk Factors	35
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3. Defaults Upon Senior Securities	35
Item 4. Mine Safety Disclosures	35
Item 5. Other Information	36
Item 6. Exhibits	36
SIGNATURES	37

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

GSE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	Unaudited September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,559	\$ 22,386
Restricted cash	983	743
Contract receivables, net	20,933	23,716
Prepaid expenses and other current assets	4,473	3,212
Total current assets	43,948	50,057
Equipment, software and leasehold improvements	7,030	6,733
Accumulated depreciation	(5,096) (4,653
Equipment, software and leasehold improvements, net	1,934	2,080
Software development costs, net	905	2,426
Goodwill	-	4,502
Intangible assets, net	754	911
Long-term restricted cash	1,184	1,192
Other assets	126	1,396
Total assets	\$ 48,851	\$ 62,564
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,045	\$ 4,980
Accrued expenses	2,004	2,287
Accrued compensation and payroll taxes	2,418	2,715
Billings in excess of revenue earned	5,800	5,993
Accrued warranty	1,841	2,107
Other current liabilities	1,325	2,193
Total current liabilities	17,433	20,275
Other liabilities	811	1,459
Total liabilities	18,244	21,734
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock \$.01 par value, 2,000,000 shares authorized, shares issued and outstanding none in 2013 and 2012	-	-
Common stock \$.01 par value, 30,000,000 shares authorized, shares issued 19,486,770 in 2013 and 19,435,324 in 2012	195	194
Additional paid-in capital	72,036	71,352
Accumulated deficit	(38,238) (27,889

Edgar Filing: GSE SYSTEMS INC - Form 10-Q

Accumulated other comprehensive loss	(555)	(647)
Treasury stock at cost, 1,499,741 shares in 2013, 1,104,487 in 2012	(2,831)	(2,180)
Total stockholders' equity	30,607		40,830	
Total liabilities and stockholders' equity	\$ 48,851		\$ 62,564	

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

3

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(Unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
	2013	2012	2013	2012
Contract revenue	\$ 11,883	\$ 13,009	\$ 35,300	\$ 39,581
Cost of revenue	8,811	7,960	26,332	26,143
Write-down of capitalized software development costs	-	-	2,174	-
Gross profit	3,072	5,049	6,794	13,438
Operating expenses:				
Selling, general and administrative	3,808	3,483	11,919	10,663
Goodwill impairment loss	-	-	4,462	-
Depreciation	135	131	434	406
Amortization of definite-lived intangible assets	51	79	155	235
Total operating expenses	3,994	3,693	16,970	11,304
Operating income (loss)	(922)	1,356	(10,176)	2,134
Interest income, net	22	36	85	