Identiv, Inc.
Form 10-Q
March 29, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 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 March 31, 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: 000-29440

IDENTIV, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	77-0444317
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

2201 Walnut Avenue, Suite 310

Fremont, California 94538

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES INCLUDING ZIP CODE)

(949) 250-8888

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

N/A

(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 þ

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 þ

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. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company þ

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

At March 6, 2016, 10,746,911 shares of common stock were outstanding.

EXPLANATORY NOTE

Identiv, Inc. is filing this Quarterly Report on Form 10-Q late due to an investigation undertaken by a special committee of the Board of Directors, which investigation was completed in late 2015. For more information, please see Note 14, Subsequent Events, included in Item 1. Unless otherwise indicated, the information in this Quarterly Report on Form 10-Q is as of as March 31, 2015.

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited; in thousands, except par value)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash	$33,087	$36,547
Accounts receivable, net of allowances of $191 and $156 as of March 31, 2015 and December 31, 2014, respectively	9,613	13,612
Inventories	9,922	9,254
Prepaid expenses	1,301	1,002
Other current assets	912	1,200
Total current assets	54,835	61,615
Property and equipment, net	5,053	5,311
Goodwill	8,747	8,853
Intangible assets, net	8,367	8,730
Other assets	1,421	1,371
Total assets	$78,423	$85,880
LIABILITIES AND STOCKHOLDERS´ EQUITY		
Current liabilities:		
Accounts payable	$6,713	$8,372
Earn-out liability	3,510	3,510
Current portion - payment obligation	659	635
Deferred revenue	350	508
Accrued compensation and related benefits	1,984	2,139
Other accrued expenses and liabilities	3,562	4,471
Total current liabilities	16,778	19,635
Long-term payment obligation	5,373	5,545
Long-term financial liabilities	13,977	13,938
Other long-term liabilities	537	630
Total liabilities	36,665	39,748
Commitments and contingencies (see Note 12)		
Stockholders´ equity:		
Identiv, Inc. stockholders' equity:		
Preferred stock, $0.001 par value: 10,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.001 par value: 130,000 shares authorized; 11,020 shares and	11	11

10,884 shares issued and 10,717 and 10,640 shares outstanding as of March 31, 2015 and December 31, 2014, respectively		
Additional paid-in capital	389,433	389,401
Treasury stock, 303 and 244 shares as of March 31, 2015 and December 31, 2014, respectively	(5,178)	(4,572)
Accumulated deficit	(343,413)	(338,670)
Accumulated other comprehensive income	1,054	1,699
Total Identiv, Inc. stockholders' equity	41,907	47,869
Noncontrolling interest	(149)	(1,737)
Total stockholders´ equity	41,758	46,132
Total liabilities and stockholders´equity	$78,423	$85,880

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended March 31,	
	2015	2014
Net revenue	$14,934	$16,854
Cost of revenue	8,850	10,252
Gross profit	6,084	6,602
Operating expenses:		
Research and development	1,992	1,502
Selling and marketing	4,995	5,035
General and administrative	3,065	3,043
Restructuring and severance	172	437
Total operating expenses	10,224	10,017
Loss from operations	(4,140)	(3,415)
Non-operating income (expense):		
Interest expense, net	(424)	(2,084)
Foreign currency loss, net	(227)	(93)
Loss from continuing operations before income taxesand noncontrolling interest	(4,791)	(5,592)
Income tax provision	(19)	(64)
Loss from continuing operations before noncontrolling interest	(4,810)	(5,656)
Income from discontinued operations, net of income taxes	—	487
Consolidated net loss	(4,810)	(5,169)
Less: Loss attributable to noncontrolling interest	67	41
Net loss attributable to Identiv, Inc. stockholders´ equity	$(4,743)	$(5,128)
Basic and diluted net income (loss) per share attributable to Identiv, Inc.stockholders´ equity:		
Loss from continuing operations	$(0.44)	$(0.74)
Income from discontinued operations	—	0.06
Net loss	$(0.44)	$(0.68)
Weighted average shares used to compute basic and diluted loss per share	10,694	7,569

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(unaudited)

	Three Months Ended March 31,	
	2015	2014
Consolidated net loss	$(4,810)	$(5,169)
Other comprehensive income, net of income taxes:		
Foreign currency translation adjustment (loss) gain	(206)	109
Foreign currency translation reclassified into net loss upon acquisition of noncontrolling interest	(444)	—
Total other comprehensive (loss) income, net of income taxes	(650)	109
Consolidated comprehensive loss	(5,460)	(5,060)
Less: Comprehensive loss attributable to noncontrolling interest	72	39
Comprehensive loss attributable to Identiv, Inc. common stockholders	$(5,388)	$(5,021)

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

Three Months Ended March 31, 2015

(In thousands)

(unaudited)

	Identiv, Inc. Stockholders´ Equity							
	Common Shares	Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Equity
Balances, December 31, 2014	10,640	$ 11	$ 389,401	$ (4,572)	$ (338,670)	$ 1,699	$ (1,737)	$ 46,132
Net loss	—	—	—	—	(4,743)	—	(67)	(4,810)
Other comprehensive loss	—	—	—	—	—	(201)	(5)	(206)
Issuance of common stock to acquire share of noncontrolling interest	95	—	(1,216)	—	—	(444)	1,660	—
Issuance of common stock in connection with exercise of options and vesting of stock awards	41	—	6	—	—	—	—	6
Stock-based compensation expense	—	—	1,242	—	—	—	—	1,242
Repurchase of common stock	(59)	—	—	(606)	—	—	—	(606)
Balances, March 31, 2015	10,717	$ 11	$ 389,433	$ (5,178)	$ (343,413)	$ 1,054	$ (149)	$ 41,758

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

6

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	$(4,810)	$(5,169)
Gain on sale of discontinued operations	—	(452)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	729	752
Accretion of interest to related party liability	134	146
Amortization of debt issuance costs	116	1,734
Stock-based compensation expense	1,242	200
Changes in operating assets and liabilities:		
Accounts receivable	3,763	(408)
Inventories	(1,060)	(1,241)
Prepaid expenses and other assets	(163)	(321)
Accounts payable	(1,451)	2,600
Payment obligation liability	(282)	(274)
Deferred revenue	(158)	(204)
Accrued expenses and other liabilities	(959)	(1,364)
Net cash used in operating activities	(2,899)	(4,001)
Cash flows from investing activities:		
Capital expenditures	(169)	(262)
Proceeds from sale of business	—	1,286
Net cash (used in) provided by investing activities	(169)	1,024
Cash flows from financing activities:		
Proceeds from issuance of debt, net of issuance costs	—	14,000
Proceeds from capital raise, net of issuance costs	—	2,601
Proceeds from issuance of common stock under employee stock purchase plan and options and warrants exercised	6	37
Payments on financial liabilities	—	(6,824)
Repurchase of common stock	(606)	—
Net cash (used in) provided by financing activities	(600)	9,814
Effect of exchange rates on cash	208	82
Net (decrease) increase in cash	(3,460)	6,919
Cash of continuing operations, at beginning of period	36,547	5,095
Add: Cash of discontinued operations, at beginning of period	—	16
Less: Cash of discontinued operations, at end of period	—	—
Cash of continuing operations, at end of period	$33,087	$12,030
Non-cash investing and financing activities:		

Common stock issued in connection with stock bonus and incentive plans	$—	$54
Common stock issued to acquire share of noncontrolling interest	$1,216	$—
Property and equipment included in accounts payable	$27	$96

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

IDENTIV, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

1. Organization and Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Identiv, Inc. (“Identiv” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, considered necessary for a fair presentation of the Company’s unaudited condensed consolidated financial statements have been included. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or any future period. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Risk Factors,” “Quantitative and Qualitative Disclosures About Market Risk,” and the Consolidated Financial Statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The preparation of unaudited condensed consolidated financial statements necessarily requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the condensed consolidated balance sheet dates and the reported amounts of revenues and expenses for the periods presented. The Company may experience significant variations in demand for its products quarter to quarter and typically experiences a stronger demand cycle in the second half of its fiscal year. As a result, the quarterly results may not be indicative of the full year results. The December 31, 2014 balance sheet was derived from the audited financial statements as of that date.

Concentration of Credit Risk — One customer represented 21% of net revenue for the three months ended March 31, 2015, and one customer represented 15% of net revenue for the three months ended March 31, 2014. One customer represented 12% of the Company’s accounts receivable balance at March 31, 2015. Two customers accounted for more than 10% of the Company’s accounts receivable balance as of December 31, 2014 with each customer accounting for approximately 12% of the Company’s accounts receivable balance at year end.

Discontinued Operations — Financial information related to certain divested businesses of the Company is reported as discontinued operations for all periods presented as discussed in Note 2, Discontinued Operations. Reclassifications of prior period amounts related to discontinued operations have been made to conform to the current period presentation.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement” (ASU 2015-05”), which clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. ASU 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-05 will have a material impact on its condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which changes the presentation of debt issuance costs on the balance sheet by requiring entities to present such costs as a direct deduction from the related debt liability rather than as an asset. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-03 will have a material impact on its condensed consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" ("ASU 2015-01"). Under ASU 2015-01, an entity will no longer be allowed to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is unusual in nature and occurs infrequently. ASU 2015-01 is effective for interim and annual reporting periods beginning after December 15, 2015 with early adoption permitted. Upon adoption, the Company may elect prospective or retrospective application. The Company does not expect the adoption of ASU 2015-01 will have a material impact on its condensed consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern", ("ASU 2014-15"), which requires management to perform interim and annual assessments on whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related disclosures, if required. The amendments in ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption on its condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 “Revenue from Contracts with Customers" (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In August 2015, the FASB issued ASU 2015-14, “Revenue From Contracts With Customers (Topic 606)” (“ASU 2015-14”), which defers the effective date of ASU 2014-09 by one year to annual periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new guidance is effective for the Company beginning January 1, 2018 and will provide the Company additional time to evaluate the method and impact that ASU 2014-09 will have on its condensed consolidated financial statements.

2. Discontinued Operations

During the fourth quarter of 2013, the Company’s Board of Directors (the “Board”) committed to a plan designed to simplify the Company’s business structure and to focus on high-growth technology trends within the security market. During the fourth quarter of 2013, the Company committed to sell its Rockwest Technology Group, Inc. d/b/a/ Multicard US (“Multicard US”) subsidiary to George Levy, Matt McDaniel and Hugo Garcia (the “Buyers”), the founders and former owners of the Multicard US business. The sale of the Multicard US subsidiary was completed on February 4, 2014 and was made pursuant to a Share Purchase Agreement dated January 21, 2014 between the Company and the Buyers whereby the Company agreed to sell 80.1% of its holdings in Multicard US to the Buyers for cash consideration of $1.2 million. Based on the carrying value of the assets and the liabilities attributed to Multicard US on the date of sale, and the estimated costs and expenses incurred in connection with the sale, the Company recorded a gain of $0.5 million, net of income taxes of nil, in the condensed consolidated statement of operations for the three months ended March 31, 2014, which was included in income from discontinued operations, net of income taxes.

On June 30, 2014, the Company entered into an asset purchase agreement with a former employee to sell certain non-core assets consisting of inventory, some prepaid items, certain fully depreciated office equipment and certain intellectual property relating to one of its subsidiaries for cash consideration of $0.1 million. The sale of these non-core assets was completed on July 7, 2014.

In accordance with Accounting Standards Codification (“ASC”) 205-20, Discontinued Operations (“ASC 205”) issued by the FASB, the results of Multicard US have been presented as discontinued operations in the condensed consolidated statements of operations for the three months ended March 31, 2014.

The key components of income from discontinued operations consist of the following (in thousands):

	Three Months Ended

	March 31, 2015	2014
Net revenue	$—	$835
Discontinued operations:		
Income from discontinued operations, net of income taxes of nil	$—	$35
Adjustments to amounts reported previously for gain on sale of discontinued operations, net of income taxes of nil	—	(51)
Gain on sale of discontinued operations, net of income taxes of nil	—	503
Income from discontinued operations, net of income taxes	$—	$487

3. Fair Value Measurements

The Company determines the fair values of its financial instruments based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. Under ASC 820, Fair Value Measurement and Disclosures ("ASC 820"), the fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Quoted prices (unadjusted) for identical assets and liabilities in active markets;
Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly; and
Level 3 – Unobservable inputs.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of March 31, 2015 and December 31, 2014, there were no assets that are measured and recognized at fair value on a recurring basis. There were no cash equivalents as of March 31, 2015 and December 31, 2014.

The Company's only liability measured at fair value on a recurring basis is the contingent consideration related to the acquisition of idOnDemand, Inc. ("idOnDemand"). The sellers of idOnDemand (the "Selling Shareholders") are eligible to receive limited earn-out payments ("Earn-out Consideration") in the form of shares of common stock subject to certain lock-up periods under the terms of the Stock Purchase Agreement dated April 29, 2011 between the Company and the Selling Shareholders of idOnDemand (the "SPA"). The fair value of the Earn-out Consideration is based on achieving certain revenue and profit targets as defined under the SPA. The calculation of the Earn-out Consideration fair value for periods prior to the year ended December 31, 2014 was probability weighted and discounted to reflect the restriction on the resale or transfer of such shares. The valuation of the Earn-out Consideration is classified as a Level 3 measurement as it is based on significant unobservable inputs and involves management judgment and assumptions about achieving revenue and profit targets and discount rates. The unobservable inputs used in the measurement of the Earn-out Consideration are highly sensitive to fluctuations and any changes in the inputs or the probability weighting thereof could significantly change the measured value of the Earn-out Consideration at each reporting period. The number of shares issued to settle the obligation will be based on the Company's 30-calendar day average price of the Company's common stock immediately preceding the settlement date. Thus, in accordance with ASC 480, Distinguishing Liabilities from Equity, the fair value of the Earn-out Consideration is classified as a liability and is re-measured each reporting period through December 31, 2014, once the number of shares to settle the liability was set, the liability was no longer fair valued with the financial value being deemed the fair value of the shares set for settlement.

For the year ended December 31, 2014, the maximum amount for the Earn-out Consideration was $5.0 million. For the year ended December 31, 2014, the Company engaged a third party independent valuation firm to assist in the determination of the Earn-out Consideration liability. The Company recorded an earn-out obligation of $3.51 million as of December 31, 2014. The Earn-out Consideration liability was $3.51 million as of March 31, 2015.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain of the Company's assets, including intangible assets, goodwill, and privately-held investments, are measured at fair value on a nonrecurring basis if impairment is indicated. Purchased intangible assets are measured at fair value primarily using discounted cash flow projections. For additional discussion of measurement criteria used in evaluating potential impairment involving goodwill and intangible assets, refer to Note 6, Goodwill and Intangible Assets.

Privately-held investments, which are normally carried at cost, are measured at fair value due to events and circumstances that the Company identified as significantly impacting the fair value of investments. The Company estimates the fair value of its privately-held investments using an analysis of the financial condition and near-term prospects of the investee, including recent financing activities and the investee's capital structure.

As of March 31, 2015 and December 31, 2014, the Company had $0.3 million of privately-held investments measured at fair value on a nonrecurring basis which were classified as a Level 3 asset due to the absence of quoted market prices and inherent lack of liquidity. The Company reviews its investments to identify and evaluate investments that have an indication of possible impairment. The Company adjusts the carrying value for its privately-held investments for any impairment if the fair value is less than the carrying value of the respective assets on an other-than-temporary basis. During the three months ended March 31, 2015, the Company determined that no privately-held investments were impaired. The amount of privately-held investments is included in other assets in the condensed consolidated balance sheets.

As of March 31, 2015 and December 31, 2014, there were no liabilities that are measured and recognized at fair value on a non-recurring basis.

Assets and Liabilities Not Measured at Fair Value

The carrying amounts of the Company's accounts receivable, prepaid expenses and other current assets, accounts payable, financial liabilities and other accrued liabilities approximate fair value due to their short maturities.

4. Stockholders' Equity

Reverse Stock Split

On May 22, 2014, the stockholders approved, and the Company filed a certificate of amendment to its Amended and Restated Certificate of Incorporation with the Secretary of the State of Delaware effecting a one-for-ten reverse stock split. The reverse stock split did not change the par value of the Company's common stock or the number of preferred stock authorized for issuance.

Common Stock Warrants

In connection with the Company's entry into a consulting agreement in August 2014, the Company issued a consultant a warrant to purchase up to 85,000 shares of the Company's common stock at a per share exercise price of $10.70 (the "Consultant Warrant"). One fourth of the shares under the warrant are exercisable for cash three months from the date the Consultant Warrant was issued and quarterly thereafter. The Consultant Warrant expires on August 13, 2019. In the event of an acquisition of the Company, the Consultant Warrant shall terminate and no longer be exercisable as of the closing of the acquisition. As of March 31, 2015, the Consultant Warrant is not fully vested and has not been exercised.

In connection with the Company's entry into a credit agreement with Opus Bank ("Opus") as discussed in Note 8, Financial Liabilities, the Company issued Opus a warrant to purchase up to 100,000 shares of the Company's common stock at a per share exercise price of $9.90 (the "Opus Warrant"). The Opus Warrant is immediately exercisable for cash or by net exercise and expires on March 31, 2019. The shares issuable upon exercise of the Opus Warrant are to be registered at the request of Opus pursuant to the Registration Rights Agreement, dated March 31, 2014, between the Company and Opus. As of March 31, 2015, the Opus Warrant had not been exercised.

On August 14, 2013, in a private placement, the Company issued 834,847 shares of its common stock at a price of $8.50 per share and warrants to purchase an additional 834,847 shares of its common stock at an exercise price of $10.00 per share (the "2013 Private Placement Warrants") to accredited and other qualified investors (the "Investors"). The 2013 Private Placement Warrants have a term of four years and are exercisable beginning six months following the date of issuance. The number of shares issuable upon exercise of the 2013 Private Placement Warrants is subject to adjustment for any stock dividends, stock splits or distributions by the Company, or upon any merger or consolidation or sale of assets of the Company, tender or exchange offer for the Company's common stock, or a reclassification of the Company's common stock.

The Company issued warrants to purchase 409,763 shares of its common stock at an exercise price of $26.50 per share in a private placement to accredited and other qualified investors in November 2010 (the "2010 Private Placement

Warrants”). The 2010 Private Placement Warrants are exercisable beginning on the date of issuance and expire on November 14, 2015.

Below is the summary of outstanding warrants issued by the Company as of March 31, 2015:

Warrant Type	Number of Shares Issuable Upon Exercise	Weighted Average Exercise Price	Issue Date	Expiration Date
Consultant Warrant	85,000	$ 10.70	August 13, 2014	August 13, 2019
Opus Warrant	100,000	9.90	March 31, 2014	March 31, 2019
2013 Private Placement Warrants	186,878	10.00	August 14, 2013	August 14, 2017
2010 Private Placement Warrants	369,169	26.50	November 14, 2010	November 14, 2015
Total	741,047			

2011 Employee Stock Purchase Plan

In June 2011, the Company's stockholders approved the 2011 Employee Stock Purchase Plan (the "ESPP"). On December 18, 2013, the Compensation Committee of the Board suspended the ESPP effective January 1, 2014. No additional shares will be authorized and no shares will be issued under the ESPP until further notice. As of March 31, 2015, there were 293,888 shares reserved for future purchase under the ESPP. Since the ESPP was suspended effective January 1, 2014, there was no stock-based compensation expense resulting from the ESPP included in the condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014.

Stock-Based Compensation Plans

The Company has various stock-based compensation plans to attract, motivate, retain and reward employees, directors and consultants by providing its Board or a committee of the Board the discretion to award equity incentives to these persons. The Company's stock-based compensation plans consist of the Director Option Plan, 1997 Stock Option Plan, 2000 Stock Option Plan, 2007 Stock Option Plan (the "2007 Plan"), the 2010 Bonus and Incentive Plan (the "2010 Plan") and the 2011 Incentive Compensation Plan (the "2011 Plan"), as amended.

Stock Bonus and Incentive Plans

In June 2010, the Company's stockholders approved the 2010 Plan which granted cash and equity-based awards to executive officers, directors and other key employees as designated by the Compensation Committee of the Board. An aggregate of 300,000 shares of the Company's common stock was reserved for issuance under the 2010 Plan as equity-based awards, including shares, nonqualified stock options, restricted stock or deferred stock awards. These awards provide the Company´s executives, directors and other key employees the opportunity to earn shares of common stock depending on the extent to which certain performance goals are met. Since the adoption of the 2011 Plan (described below), the Company utilizes shares from the 2010 Plan only for performance-based awards and all equity awards granted under the 2010 Plan are issued pursuant to the 2011 Plan.

On June 6, 2011, the Company's stockholders approved the 2011 Plan, which is administered by the Compensation Committee of the Board. The 2011 Plan provides that stock options, stock units, restricted shares, and stock appreciation rights may be granted to executive officers, directors, consultants, and other key employees. The Company reserved 400,000 shares of common stock under the 2011 Plan, plus 459,956 shares of common stock that remained available for delivery under the 2007 Plan and the 2010 Plan as of June 6, 2011. In aggregate, as of June 6, 2011, 859,956 shares were available for future grants under the 2011 Plan, including shares rolled over from the 2007 Plan and 2010 Plan.

Stock Option Plans

A summary of activity for the Company's stock option plans for the three months ended March 31, 2015 follows:

	Number Outstanding	Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Average Intrinsic Value
Balance at December 31, 2014	897,115	$ 12.09		$3,425,558
Granted	—	—		

Cancelled or Expired	(24,388	)	15.80		
Exercised	(688	)	8.00		
Balance at March 31, 2015	872,039		$ 11.99	7.24	$374,867
Vested or expected to vest at March 31, 2015	799,420		$ 12.25	6.99	$339,349
Exercisable at March 31, 2015	406,673		$ 15.11	5.45	$144,478

The following table summarizes information about options outstanding as of March 31, 2015:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$5.20 - $8.40	179,175	7.94	$ 6.49	86,383	$ 6.94
$8.41 - $8.80	256,625	8.93	8.80	65,375	8.80
$8.81 - $11.30	174,976	8.89	10.84	18,655	10.06
$11.31 - $24.00	177,800	4.53	14.75	153,385	14.88
$24.01 - $43.40	83,463	1.93	30.17	82,875	30.20
$5.20 - $43.40	872,039	7.24	$ 11.99	406,673	$ 15.11

At March 31, 2015, there was $2.1 million of unrecognized stock-based compensation expense, net of estimated forfeitures related to unvested options, that is expected to be recognized over a weighted-average period of 2.82 years.

Restricted Stock and Restricted Stock Units

The following is a summary of restricted stock and restricted stock unit ("RSU") activity for the three months ended March 31, 2015:

	Number Outstanding	Weighted Average Fair Value	Weighted Average Remaining Contractual Term (Years)	Average Intrinsic Value
Balance at December 31, 2014	542,342	$ 13.74		$7,533,132
Granted	264,000	12.49		
Vested	(39,921)	10.04		
Forfeited	(22,000)	10.57		
Balance at March 31, 2015	744,421	$ 13.34	1.65	$6,387,133

The fair value of the Company's restricted stock awards and RSUs is calculated based upon the fair market value of the Company's stock at the date of grant. As of March 31, 2015, there was $7.2 million of unrecognized compensation cost related to unvested RSUs granted, which is expected to be recognized over a weighted average period of 3.15 years. As of March 31, 2015, an aggregate of 744,421 RSUs were outstanding under the 2011 Plan.

Stock-Based Compensation Expense

The following table illustrates all employee stock-based compensation expense related to stock options and RSUs included in the condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended March 31,	
	2015	2014
Cost of revenue	$29	$5
Research and development	69	18
Selling and marketing	239	51
General and administrative	869	126
Total	$1,206	$200

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance as of March 31, 2015 was as follows:

Exercise of outstanding stock options and vesting of RSUs	1,616,460
ESPP	293,888
Shares of common stock available for grant under the 2011 Plan	139,380
Noncontrolling interest in Bluehill AG	10,355
Warrants to purchase common stock	741,047
Contingent consideration for idOnDemand	321,429
Total	3,122,559

Net Loss per Common Share Attributable to Identiv Stockholders' Equity

Basic and diluted net loss per share is based upon the weighted average number of common shares outstanding during the period. For the three months ended March 31, 2015 and 2014, common stock equivalents consisting of outstanding stock options, RSUs and warrants were excluded from the calculation of diluted loss per share because these securities were anti-dilutive due to the net loss in the respective periods. The total number of common stock equivalents excluded from diluted loss per share relating to these securities was 2,689,291 common stock equivalents for the three months ended March 31, 2015, and 3,980,609 common stock equivalents for the three months ended March 31, 2014, respectively.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income ("AOCI") at March 31, 2015 and December 31, 2014 consists of foreign currency translation adjustments totaling $1.1 million and $1.7 million, respectively. As a result of the acquisition of the noncontrolling interest in a subsidiary company, $0.5 million was reclassified out of AOCI into net loss during the three months ended March 31, 2015.

5. Balance Sheet Components

The Company's inventories are stated at the lower of cost or market. Inventories consist of (in thousands):

	March 31, 2015	December 31, 2014
Raw materials	$3,872	$ 3,272
Work-in-progress	477	571
Finished goods	5,573	5,411
Total	$9,922	$ 9,254

Property and equipment, net consists of (in thousands):

	March 31, 2015	December 31, 2014
Building and leasehold improvements	$1,247	$ 1,298
Furniture, fixtures and office equipment	3,680	4,236
Plant and machinery	7,307	6,732
Purchased software	2,582	2,520
Total	14,816	14,786
Accumulated depreciation	(9,763)	(9,475)
Property and equipment, net	$5,053	$ 5,311

The Company recorded depreciation expense of $0.4 million and $0.4 million during the three months ended March 31, 2015 and 2014, respectively.

Other accrued expenses and liabilities consist of (in thousands):

	March 31, 2015	December 31, 2014
Accrued restructuring	$751	$ 1,377
Accrued professional fees	672	679
Income taxes payable	242	275
Other accrued expenses	1,897	2,140
Total	$3,562	$ 4,471

6. Goodwill and Intangible Assets

Goodwill

The following table presents goodwill by operating segment as of March 31, 2015 and December 31, 2014 and changes in the carrying amount of goodwill (in thousands):

	Premises	Credentials	Identity	All Other	Total
Balance at December 31, 2014	$ 7,783	$ —	$ 1,070	$ —	$ 8,853
Currency translation adjustment	—	—	(106)	—	(106)
Balance at March 31, 2015	$ 7,783	$ —	$ 964	$ —	$ 8,747

Of the total goodwill, a portion is designated in a currency other than U. S. dollars and is adjusted each reporting period for the change in foreign exchange rates between balance sheet dates.

In accordance with its accounting policy and ASC 350, the Company tests goodwill and intangibles with indefinite lives annually for impairment and assesses whether there are any indicators of impairment on an interim basis. The Company performs interim goodwill impairment reviews between its annual reviews if certain events and circumstances have occurred, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy or customers, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods. The Company believes the methodology that it uses to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides it with a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether its goodwill is impaired are outside of its control and it is reasonably likely that assumptions and estimates will change in future periods. These changes in assumptions and estimates could result in future impairments.

During the quarter ended March 31, 2015, the Company noted no indicators of goodwill impairment and concluded no further testing necessary. The Company performed its annual impairment test for all reporting units during the fourth quarter of 2014 and concluded that there was no impairment to goodwill during the year ended December 31, 2014.

15

Intangible Assets

The following table summarizes the gross carrying amount and accumulated amortization for intangible assets resulting from acquisitions (in thousands):

	Existing Technology	Customer Relationship	Trade Name	Total
Amortization period (in years)	11.75	4.0 – 11.75	1.0	
Gross carrying amount at December 31, 2014	$ 4,600	$ 10,701	$570	$15,871
Accumulated amortization	(1,914)	(4,657)	(570)	(7,141)
Intangible Assets, net at December 31, 2014	$ 2,686	$ 6,044	$—	$8,730
Gross carrying amount at March 31, 2015	$ 4,600	$ 10,701	$570	$15,871
Accumulated amortization	(2,026)	(4,908)	(570)	(7,504)
Intangible Assets, net at March 31, 2015	$ 2,574	$ 5,793	$—	$8,367

Each period, the Company evaluates the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. If a revision to the remaining period of amortization is warranted, amortization is prospectively adjusted over the remaining useful life of the intangible asset. Intangible assets subject to amortization are amortized over their useful lives as shown in the table above. The Company evaluates its amortizable intangible assets for impairment at the end of each reporting period. The Company did not identify any impairment indicators during the three months ended March 31, 2015.

The following table illustrates the amortization expense included in the condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014, respectively (in thousands):

	Three Months Ended March 31,	
	2015	2014
Cost of revenue	$112	$112
Selling and marketing	252	251
Total	$364	$363

The estimated annual future amortization expense for purchased intangible assets with definite lives over the next five years is as follows (in thousands):

2015 (remaining nine months)	$1,092
2016	1,455

2017	1,455
2018	1,455
2019	1,455
Thereafter	1,455
Total	$8,367

7. Long-Term Payment Obligation

Hirsch Acquisition – Secure Keyboards and Secure Networks. Prior to the 2009 acquisition of Hirsch Electronics Corporation ("Hirsch") by the Company, effective November 1994, Hirsch had entered into a settlement agreement (the "1994 Settlement Agreement") with two limited partnerships, Secure Keyboards, Ltd. ("Secure Keyboards") and Secure Networks, Ltd. ("Secure Networks"). At the time, Secure Keyboards and Secure Networks were related to Hirsch through certain common shareholders and limited partners, including Hirsch's then President Lawrence Midland, who resigned as President of the Company effective July 31, 2014. Immediately following the acquisition, Mr. Midland owned 30% of Secure Keyboards and 9% of Secure Networks. Secure

Networks was dissolved in 2012 and Mr. Midland owned 24.5% of Secure Keyboards upon his resignation from the Company effective July 31, 2014.

On April 8, 2009, Secure Keyboards, Secure Networks and Hirsch amended and restated the 1994 Settlement Agreement to replace the royalty-based payment arrangement under the 1994 Settlement Agreement with a new, definitive installment payment schedule with contractual payments to be made in future periods through 2020 (the "2009 Settlement Agreement"). The Company was not an original party to the 2009 Settlement Agreement as the acquisition of Hirsch occurred subsequent to the 2009 Settlement Agreement being entered into. The Company has, however, provided Secure Keyboards and Secure Networks with a limited guarantee of Hirsch's payment obligations under the 2009 Settlement Agreement (the "Guarantee"). The 2009 Settlement Agreement and the Guarantee became effective upon the acquisition of Hirsch on April 30, 2009. The Company's annual payment to Secure Keyboards and Secure Networks in any given year under the 2009 Settlement Agreement is subject to an increase based on the percentage increase in the Consumer Price Index during the previous calendar year.

The final payment to Secure Networks was made on January 30, 2012. The Company's payment obligations under the 2009 Settlement Agreement to Secure Keyboards will continue through the calendar year ending December 31, 2020, with the final payment due on January 30, 2021, unless the Company elects at any time on or after January 1, 2012 to earlier satisfy its obligations by making a lump-sum payment to Secure Keyboards. The Company does not intend to make a lump-sum payment and therefore a portion of the payment obligation amount is classified as a long-term liability in the condensed consolidated balance sheets.

The Company included $0.1 million of interest expense during the three months ended March 31, 2015 and 2014 in its condensed consolidated statements of operations for interest accreted on the long-term payment obligation.

The ongoing payment obligation in connection with the Hirsch acquisition as of March 31, 2015 is as follows (in thousands):

2015 (remaining nine months)	$877
2016	1,205
2017	1,253
2018	1,304
2019	1,356
Thereafter	1,892
Present value discount factor	(1,855)
Total	$6,032

8. Financial Liabilities

Financial liabilities consist of (in thousands):

	March 31, 2015	December 31, 2014

Secured term loan	$ 10,000	$ 10,000
Bank revolving loan facility	4,300	4,300
Less: Unamortized discount	(323)	(362)
Long-term financial liabilities	$ 13,977	$ 13,938

Bank Term Loan and Revolving Loan Facility

On March 31, 2014, the Company entered into a credit agreement (the “Credit Agreement”) with Opus. The Credit Agreement provides for a term loan in aggregate principal amount of $10.0 million (“Term Loan”) which was drawn down on March 31, 2014, and an additional $10.0 million revolving loan facility (“Revolving Loan Facility”), of which $4.0 million was drawn down on March 31, 2014 and an additional $2.0 million was drawn down during the three months ended June 30, 2014. On August 8, 2014, the Company repaid $1.7 million on the Revolving Loan Facility. In connection with the closing of the Credit Agreement, the Company repaid all outstanding amounts under its Loan and Security Agreement, dated as of October 30, 2012, as amended from time to time (the “Secured Debt Facility”) with Hercules. During the three months ended March 31, 2014, the Company recorded $1.6 million in additional interest expense in its condensed consolidated statement of operations related to the repayment of the Secured Debt Facility. The total amount of $1.6 million in interest expense included $0.9 million related to a write-off of deferred costs, $0.6 million related to a write-off of discounts on the secured note and $0.1 million related to prepayment fees as stipulated in the Loan Agreement and the forfeiture of a facility charge paid at the inception of the Loan. The proceeds of the Term Loan and the initial proceeds under the

Revolving Loan Facility, after payment of fees and expenses and all outstanding amounts under the Secured Debt Facility, were approximately $7.8 million. The obligations of the Company under the Credit Agreement are secured by substantially all assets of the Company. Certain of the Company's material domestic subsidiaries have guaranteed the credit facilities and have granted Opus security interests in substantially all of their respective assets. The Company may voluntarily prepay the Term Loan and outstanding amounts under the Revolving Loan Facility, without prepayment charges, and is required to make prepayments of the Term Loan in certain circumstances or condemnation events using the proceeds of asset sales or insurance. On November 10, 2014, the Company entered into an amendment to its Credit Agreement which changed a number of the original terms of the Credit Agreement including interest charged, the monthly installment payment schedule, the maximum amount available under the revolving loan facility and the maturity date as well as certain other terms and conditions. Details of the amendment to the Credit Agreement are discussed below.

In connection with the Company's entry into the Credit Agreement with Opus, the Company paid $170,000 in customary lender fees and expenses, including facility fees. As discussed in Note 4, Stockholders' Equity, the Company issued the Opus Warrant to purchase up to 100,000 shares of the Company's common stock at a per share exercise price of $9.90. The Company calculated the fair value of the Opus Warrant using the Black-Scholes option pricing model using the following assumptions: estimated volatility of 92.09%, risk-free interest rate of 1.73%, no dividend yield, and an expected life of five years. The fair value of the Opus Warrant was determined to be $0.8 million. The Opus Warrant is classified as equity in accordance with ASC 505 as the settlement of the warrants will be in shares and is within the control of the Company. The Company allocated both the cash and warrant (equity) consideration to Opus between Term Loan and Revolving Loan Facility using the relative fair value method. The Company recognized $0.9 million in issuance costs, both cash and equity, related to the Term Loan and Revolving Loan Facility. The cost consideration of $0.5 million allocated for the Term Loan is recorded as a discount on the Term Loan and is reported in the balance sheet as an adjustment to the carrying amount of the Term Loan. The remaining $0.4 million in issuance costs has been allocated to the Revolving Loan Facility as a deferred charge, pursuant to ASC 835-30, Imputation of Interest ("ASC 835-30"). The issuance costs and discounts on the Term Loan are amortized as interest expense in accordance with ASC 835-30 over the term of the Credit Agreement.

On November 10, 2014, the Company entered into an amendment to its Credit Agreement dated March 31, 2014, with Opus (the "Amended Credit Agreement"). Under the Amended Credit Agreement, the Revolving Loan Facility was increased from $10.0 million to $30.0 million and the revolving loan maturity date was extended to November 10, 2017. In addition, the Company will no longer be required to make scheduled monthly installment payments of principal under the Term Loan. Rather, the entire principal balance of the Term Loan will be due on March 31, 2017. Under the terms of the Amended Credit Agreement, both the principal amount of the Term Loan and the principal amount outstanding under the Revolving Loan Facility bear interest at a floating rate equal to: (a) if the Company holds more than $30.0 million in cash with Opus, the greater of (i) the prime rate plus 1.50% and (ii) 4.75%; (b) if the Company holds $30.0 million or less but more than $20.0 million in cash with Opus, the greater of (i) the prime rate plus 2.25% and (ii) 5.50%; or (c) if the Company holds $20.0 million or less in cash with Opus, the greater of (i) the prime rate plus 2.75% and (ii) 6.00%. Interest on both facilities continues to be payable monthly. Additionally, the Amended Credit Agreement (i) modifies certain loan covenants applicable to the Company's stock repurchase plan (see above), (ii) removes from the loan collateral shares of the Company's capital stock repurchased by the Company and (iii) extends the current tangible net worth covenant by one year. The Company paid .333% of the revolving loan facility as a lender fee in the aggregate amount of $100,000 upon the closing of the Amended Credit Agreement. In addition, the Company paid $75,000 in third party fees related to the debt modification. Under the relevant debt restructuring accounting guidance found in ASC 470, the amendment to the Credit Agreement on November 10, 2014 has been treated as a debt modification. The Opus and third party fees have been allocated to the Revolving Loan Facility as a deferred charge and to the discount on the Term Loan pursuant to ASC Topic 470-50-40 and are being amortized as interest expense over the remaining term of the Amended Credit Agreement. The Company may voluntarily prepay the Term Loan and outstanding amounts under the Revolving Loan Facility, without prepayment charges, and is required to make prepayments of the Term Loan in certain circumstances using the proceeds of asset sales or insurance or condemnation events.

The Amended Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants, including, limits or restrictions on the Company's ability to incur liens, incur indebtedness, make certain restricted payments, merge or consolidate and dispose of assets. The Amended Credit Agreement also provides for customary financial covenants, including a minimum tangible net worth covenant, a maximum senior leverage ratio and a minimum asset coverage ratio. As of March 31, 2015, the Company was in compliance with all financial covenants. In addition, it contains customary events of default that entitle Opus to cause any or all of the Company's indebtedness under the Amended Credit Agreement to become immediately due and payable. Events of default (some of which are subject to applicable grace or cure periods), include, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults and material judgment defaults. Upon the occurrence and during the continuance of an event of default, Opus may terminate its lending commitments and/or declare all or any part of the unpaid principal of all loans, all interest accrued and unpaid thereon and all other amounts payable under the Amended Credit Agreement to be immediately due and payable. The Company has considered the components of the material adverse change clause of the Amended Credit Agreement and determined the likelihood of default under the existing terms is remote. Accordingly, all amounts outstanding under the Amended Credit Agreement are classified as long-term in the accompanying condensed consolidated balance sheets.

The following table summarizes the timing of repayment obligations for the Company’s financial liabilities for the next five years under the current terms of the Credit Agreement as of March 31, 2015 (in thousands):

	2015	2016	2017	2018	Total
Bank term loan and revolving loan facility	$ —	$ —	$14,300	$ —	$14,300

9. Income Taxes

The Company conducts business globally and, as a result, files federal, state and foreign tax returns. The Company strives to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time. While the Company has accrued for amounts it believes are the probable outcomes, the final outcome with a tax authority may result in a tax liability that is more or less than that reflected in the condensed consolidated financial statements. Furthermore, the Company may later decide to challenge any assessments, if made, and may exercise its right to appeal.

The Company has no present intention of remitting undistributed retained earnings of any of its foreign subsidiaries. Accordingly, the Company has not established a deferred tax liability with respect to undistributed earnings of its foreign subsidiaries.

The Company applies the provisions of, and accounted for uncertain tax positions in accordance with ASC 740. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company generally is no longer subject to tax examinations for years prior to 2010. However, if loss carryforwards of tax years prior to 2010 are utilized in the U.S., these tax years may become subject to investigation by the tax authorities. While timing of the resolution and/or finalization of tax audits is uncertain, the Company does not believe that its unrecognized tax benefits would materially change in the next 12 months.

10. Segment Reporting and Geographic Information

ASC 280, Segment Reporting (“ASC 280”) establishes standards for the reporting by public business enterprises of information about operating segments, products and services, geographic areas, and major customers. The method for determining what information to report is based on the way management organizes the operating segments within the Company for making operating decisions and assessing financial performance. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenue and incur expenses and about which separate financial information is available to its chief operating decision makers (“CODM”). The Company’s CODM is its CEO.

The Company reorganized its operations into four reportable business segments in the first quarter of 2014 principally by product families: Premises, Identity, Credentials and All Other. As a result of the change, product families and services were organized within the four segments.

The CODM reviews financial information and business performance for each operating segment. The Company evaluates the performance of its operating segments at the revenue and gross profit levels. The CODM does not review operating expenses or asset information by operating segment for purposes of assessing performance or allocating resources.

Net revenue and gross profit information by segment for the three months ended March 31, 2015 and March 31, 2014 is as follows (in thousands):

	Three Months Ended March 31,	
	2015	2014
Premises:		
Net revenue	$4,672	$3,467
Gross profit	2,699	2,144
Gross profit margin	58 %	62 %
Identity:		
Net revenue	2,594	5,020
Gross profit	1,003	2,237
Gross profit margin	39 %	45 %
Credentials:		
Net revenue	7,157	7,161
Gross profit	2,042	1,606
Gross profit margin	29 %	22 %
All Other:		
Net revenue	511	1,206
Gross profit	340	615
Gross profit margin	67 %	51 %
Total:		
Net revenue	14,934	16,854
Gross profit	6,084	6,602
Gross profit margin	41 %	39 %
Operating expenses:		
Research and development	1,992	1,502
Selling and marketing	4,995	5,035
General and administrative	3,065	3,043
Restructuring and severance	172	437
Total operating expenses:	10,224	10,017
Loss from operations	(4,140)	(3,415)
Non-operating income (expense):		
Interest expense, net	(424)	(2,084)
Foreign currency losses, net	(227)	(93)
Loss from continuing operations before income taxes and noncontrolling interest	$(4,791)	$(5,592)

Geographic net revenue is based on customer's ship-to location. Information regarding net revenue by geographic region for the three months ended March 31, 2015 and March 31, 2014 is as follows (in thousands):

Three Months
Ended
March 31,

	2015		2014	
Americas	$9,958		$8,312	
Europe and the Middle East	2,842		4,698	
Asia-Pacific	2,134		3,844	
Total	$14,934		$16,854	
Revenues:				
Americas	67	%	49	%
Europe and the Middle East	19	%	28	%
Asia-Pacific	14	%	23	%
Total	100	%	100	%

Long-lived assets by geographic location as of March 31, 2015 and December 31, 2014 are as follows (in thousands):

	March 31, 2015	December 31, 2014
Property and equipment, net:		