

ECHELON CORP
Form 10-Q
November 10, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2014

OR

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

For the transition period from _____ to _____

000-29748

(Commission file number)

ECHELON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 77 0203595

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification Number)

550 Meridian Avenue

San Jose, CA 95126

(Address of principal executive office and zip code)

(408) 938 5200

(Registrant's telephone number, including area code)

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 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. (Check one):

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

As of October 31, 2014, 43,955,848 shares of the registrant's common stock were outstanding.

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 FOR THE QUARTER ENDED SEPTEMBER 30, 2014
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FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of the U.S. federal securities laws that involve risks and uncertainties. Certain statements contained in this report are not purely historical including, without limitation, statements regarding our expectations, beliefs, intentions, anticipations, commitments or strategies regarding the future that are forward-looking. These statements include those discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, including "Critical Accounting Estimates," "Results of Operations," "Off-Balance-Sheet Arrangements and Other Critical Contractual Obligations," "Liquidity and Capital Resources," and "Recently Issued Accounting Standards," and elsewhere in this report.

In this report, the words "may," "could," "would," "might," "will," "should," "plan," "forecast," "anticipate," "believe," "expect," "estimate," "predict," "potential," "continue," "future," "moving toward" or the negative of these terms or other similar expressions also identify forward-looking statements. Our actual results could differ materially from those forward-looking statements contained in this report as a result of a number of risk factors including, but not limited to, those set forth in the section entitled "Factors That May Affect Future Results of Operations" and elsewhere in this report. You should carefully consider these risks, in addition to the other information in this report and in our other filings with the SEC.

All forward-looking statements and reasons why results may differ included in this report are made as of the date of this report, and we assume no obligation to update any such forward-looking statement or reason why such results might differ, except as required by law.

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PART I. FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ECHELON CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$23,482	\$14,648
Restricted investments	6,253	—
Short-term investments	20,993	42,987
Accounts receivable, net ¹	3,453	10,522
Inventories	3,783	6,445
Deferred cost of goods sold	901	1,649
Other current assets	1,745	2,040
Current assets of discontinued operations held for sale	619	—
Total current assets	61,229	78,291
Property and equipment, net	10,994	18,670
Intangible assets, net	1,471	—
Goodwill	6,038	8,390
Other long term assets	770	777
Long-term assets of discontinued operations held for sale	36	—
Total assets	\$80,538	\$106,128
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$3,630	\$5,424
Accrued liabilities	8,350	7,395
Current portion of lease financing obligations	2,424	2,257
Deferred revenues	3,216	6,125
Current liabilities of discontinued operations held for sale	1,055	—
Total current liabilities	18,675	21,201
LONG-TERM LIABILITIES:		
Lease financing obligations, excluding current portion	14,085	15,928
Other long-term liabilities	1,732	1,022
Total long-term liabilities	15,817	16,950
STOCKHOLDERS' EQUITY:		
Common stock	472	466
Additional paid-in capital	355,987	354,680
Treasury stock	(28,130) (28,130
Accumulated other comprehensive income	79	1,015
Accumulated deficit	(282,616) (260,843
Total Echelon Corporation stockholders' equity	45,792	67,188

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Noncontrolling interest in discontinued operations of subsidiary held for sale	254	789
Total stockholders' equity	46,046	67,977
Total liabilities and stockholders' equity	\$80,538	\$106,128

¹ Includes related party receivable of none and \$1.6 million as of September 30, 2014 and December 31, 2013, respectively.

See accompanying notes to condensed consolidated financial statements.

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ECHELON CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share amounts)
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Product	\$9,164	\$10,161	\$29,035	\$33,269
Service	14	16	48	70
Total revenues ⁽²⁾	9,178	10,177	29,083	33,339
Cost of revenues:				
Cost of product ⁽¹⁾	3,877	3,711	11,586	12,742
Cost of service ⁽¹⁾	303	84	916	345
Total cost of revenues	4,180	3,795	12,502	13,087
Gross profit	4,998			