

NETLIST INC  
Form 10-Q  
November 10, 2015  
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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 26, 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 001-33170

NETLIST, INC.

(Exact name of registrant as specified in its charter)

Delaware  
State or other jurisdiction of incorporation or organization

95-4812784  
(I.R.S. Employer Identification No.)

175 Technology Drive, Suite 150

Irvine, CA 92618

(Address of principal executive offices) (Zip Code)

(949) 435-0025

(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 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 (section 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

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 definition 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

(Do not check if a smaller reporting company)

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

The number of shares outstanding of the registrant's common stock as of the latest practicable date:

Common Stock, par value \$0.001 per share

50,354,363 shares outstanding at October 31, 2015

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NETLIST, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 26, 2015

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## NETLIST, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(in thousands, except par value)

|   | (unaudited)<br>September 26,<br>2015 | (audited)<br>December 27,<br>2014 |
|---|--------------------------------------|-----------------------------------|
| <b>ASSETS</b>   |                                      |                                   |
| Current Assets:   |                                      |                                   |
| Cash and cash equivalents   | \$ 12,647                            | \$ 11,040                         |
| Restricted cash   | 700                                  | 700                               |
| Accounts receivable, net of allowance for doubtful accounts of \$61 (2015) and \$61 (2014)      | 457                                  | 1,091                             |
| Inventories   | 1,841                                | 1,880                             |
| Prepaid expenses and other current assets   | 692                                  | 988                               |
| Total current assets  | 16,337                               | 15,699                            |
| Property and equipment, net   | 218                                  | 393                               |
| Other assets  | 64                                   | 150                               |
| Total assets  | \$ 16,619                            | \$ 16,242                         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                      |                                   |
| Current Liabilities:  |                                      |                                   |
| Accounts payable  | \$ 6,902                             | \$ 3,957                          |
| Accrued payroll and related liabilities   | 753                                  | 710                               |
| Accrued expenses and other current liabilities  | 468                                  | 420                               |
| Accrued engineering charges   | 500                                  | 500                               |
| Current portion of long-term debt, net of debt discount   | 7,569                                | 2,205                             |
| Total current liabilities   | 16,192                               | 7,792                             |
| Long-term debt, net of current portion and debt discount  | -                                    | 3,632                             |
| Long-term warranty liability  | 47                                   | 99                                |
| Total liabilities   | 16,239                               | 11,523                            |
| Commitments and contingencies   |                                      |                                   |
| Stockholders' equity:   |                                      |                                   |
| Preferred stock, \$0.001 par value - 10,000 shares authorized; no shares issued and outstanding | -                                    | -                                 |
|   | 50                                   | 41                                |

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|  |           |           |
|--|-----------|-----------|
| Common stock, \$0.001 par value - 90,000 shares authorized; 50,354 (2015)<br>and 41,498 (2014) shares issued and outstanding |           |           |
| Additional paid-in capital   | 129,381   | 117,546   |
| Accumulated deficit  | (129,051) | (112,868) |
| Total stockholders' equity   | 380       | 4,719     |
| Total liabilities and stockholders' equity   | \$ 16,619 | \$ 16,242 |

See accompanying notes.

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## NETLIST, INC. AND SUBSIDIARIES

## Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)

|  | Three Months Ended    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 26,<br>2015 | September 27,<br>2014 | September 26,<br>2015 | September 27,<br>2014 |
| Net sales                                      | \$ 1,617              | \$ 4,791              | \$ 5,160              | \$ 16,679             |
| Cost of sales(1)                               | 1,593                 | 3,678                 | 4,332                 | 12,602                |
| Gross profit                                   | 24                    | 1,113                 | 828                   | 4,077                 |
| Operating expenses:                            |                       |                       |                       |                       |
| Research and development(1)                    | 1,449                 | 1,445                 | 4,369                 | 3,555                 |
| Intellectual property legal fees               | 899                   | 1,552                 | 6,679                 | 3,719                 |
| Selling, general and administrative(1)         | 1,710                 | 1,782                 | 5,213                 | 5,185                 |
| Total operating expenses                       | 4,058                 | 4,779                 | 16,261                | 12,459                |
| Operating loss                                 | (4,034)               | (3,666)               | (15,433)              | (8,382)               |
| Other expense, net:                            |                       |                       |                       |                       |
| Interest expense, net                          | (447)                 | (393)                 | (1,416)               | (1,181)               |
| Other income (expense), net                    | (889)                 | -                     | 667                   | (5)                   |
| Total other expense, net                       | (1,336)               | (393)                 | (749)                 | (1,186)               |
| Loss before provision for income tax           | (5,370)               | (4,059)               | (16,182)              | (9,568)               |
| Provision for income taxes                     | -                     | -                     | 1                     | 2                     |
| Net loss                                       | \$ (5,370)            | \$ (4,059)            | \$ (16,183)           | \$ (9,570)            |
| Net loss per common share:                     |                       |                       |                       |                       |
| Basic and diluted                              | \$ (0.11)             | \$ (0.10)             | \$ (0.33)             | \$ (0.24)             |
| Weighted-average common shares<br>outstanding: |                       |                       |                       |                       |
| Basic and diluted                              | 50,354                | 41,472                | 48,471                | 39,911                |