

ECHELON CORP
Form 10-Q
November 08, 2013

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, 2013

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, 2013, 43,338,636 shares of the registrant's common stock were outstanding.

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 FOR THE QUARTER ENDED SEPTEMBER 30, 2013
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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.

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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, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$13,670	\$18,876
Short-term investments	42,988	42,979
Accounts receivable, net ¹	15,185	15,725
Inventories	8,042	11,729
Deferred cost of goods sold	1,730	846
Other current assets	2,101	2,662
Total current assets	83,716	92,817
Property and equipment, net	19,415	21,777
Goodwill	8,343	8,276
Other long term assets	782	713
Total assets	\$112,256	\$123,583
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$6,153	\$8,551
Accrued liabilities	6,574	4,637
Current portion of lease financing obligations	2,202	2,056
Deferred revenues	6,286	4,912
Total current liabilities	21,215	20,156
LONG-TERM LIABILITIES:		
Lease financing obligations, excluding current portion	16,509	18,185
Other long-term liabilities	2,890	1,447
Total long-term liabilities	19,399	19,632
STOCKHOLDERS' EQUITY:		
Common stock	465	463
Additional paid-in capital	354,341	352,589
Treasury stock	(28,130)	(28,130)
Accumulated other comprehensive income	780	509
Accumulated deficit	(256,820)	(243,233)
Total Echelon Corporation stockholders' equity	70,636	82,198
Noncontrolling interest in subsidiary	1,006	1,597
Total stockholders' equity	71,642	83,795
Total liabilities and stockholders' equity	\$112,256	\$123,583

¹ Includes related party receivable of \$5.3 million and \$1.6 million as of September 30, 2013 and December 31, 2012, 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		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenues:				
Product	\$17,175	\$28,056	\$65,633	\$107,387
Service	839	1,008	2,399	2,832
Total revenues ⁽²⁾	18,014	29,064	68,032	110,219
Cost of revenues:				
Cost of product ⁽¹⁾	7,348	16,672	32,984	63,352
Cost of service ⁽¹⁾	211	493	862	1,601
Total cost of revenues	7,559	17,165	33,846	64,953
Gross profit	10,455	11,899	34,186	45,266
Operating expenses:				
Product development ⁽¹⁾	5,294	7,256		