

CLEARONE INC
Form 10-Q
May 15, 2015

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 March 31, 2015

or

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

For the transition period _____ to _____

Commission file number: 001-33660

CLEARONE, INC.

(Exact name of registrant as specified in its charter)

Utah

(State or other jurisdiction of incorporation or organization)

5225 Wiley Post Way, Suite 500, Salt Lake City, Utah

(Address of principal executive offices)

(801) 975-7200

(Registrant's telephone number, including area code)

87-0398877

(I.R.S. employer identification number)

84116

(Zip Code)

Indicate by check 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 (§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

See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Larger 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares of ClearOne common stock outstanding as of April 30, 2015 was 9,116,029.

CLEARONE, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2015

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CLEARONE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)

	March 31, 2015 Unaudited	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$10,865	\$7,440
Marketable securities	7,314	6,994
Receivables, net of allowance for doubtful accounts of \$79 and \$58, respectively	8,593	9,916
Inventories	13,869	12,766
Distributor channel inventories	1,540	1,698
Deferred income taxes	3,824	3,824
Prepaid expenses and other assets	1,267	2,143
Total current assets	47,272	44,781
Long-term marketable securities	18,133	19,162
Long-term inventories, net	690	876
Property and equipment, net	1,901	2,039
Intangibles, net	7,581	7,896
Goodwill	12,724	12,724
Deferred income taxes	1,265	1,265
Other assets	115	117
Total assets	\$89,681	\$88,860
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,854	\$3,057
Accrued liabilities	2,508	2,694
Deferred product revenue	4,684	5,004
Total current liabilities	11,046	10,755
Deferred rent	222	248
Other long-term liabilities	1,304	1,841
Total liabilities	12,572	12,844
Shareholders' equity:		
Common stock, par value \$0.001, 50,000,000 shares authorized, 9,111,790 and 9,097,827 shares issued and outstanding	9	9
Additional paid-in capital	45,204	44,939
Accumulated other comprehensive (loss)	(133) (8
Retained earnings	32,029	31,076
Total shareholders' equity	77,109	76,016
Total liabilities and shareholders' equity	\$89,681	\$88,860

See accompanying notes

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CLEARONE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Dollars in thousands, except per share amounts)

	Three months ended March 31,	
	2015	2014
Revenue	\$13,586	\$12,708
Cost of goods sold	5,124	5,006
Gross profit	8,462	7,702
Operating expenses:		
Sales and marketing	2,622	2,737
Research and product development	1,941	2,241
General and administrative	2,000	1,968
Total operating expenses	6,563	6,946
Operating income	1,899	756
Other income, net	104	81
Income before income taxes	2,003	837
Provision for income taxes	731	352
Net income	\$1,272	\$485
Basic earnings per common share	\$0.14	\$0.05
Diluted earnings per common share	\$0.13	\$0.05
Basic weighted average shares outstanding	9,100,107	9,082,546
Diluted weighted average shares outstanding	9,508,479	9,558,941
Comprehensive income:		
Net income	\$1,272	\$485
Other comprehensive income:		
Unrealized gain on available-for-sale securities, net of tax	55	73
Change in foreign currency translation adjustment	(180) —
Comprehensive income	\$1,147	\$558

See accompanying notes

CLEARONE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Three months ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$1,272	\$485
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization expense	521	