

IDENTIVE GROUP, INC.
Form 10-Q
May 15, 2012
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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, 2012

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

IDENTIVE GROUP, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

77-0444317
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

1900 Carnegie Avenue, Building B

Santa Ana, California 92705

(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

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

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

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

At May 10, 2012, 59,656,059 shares of common stock were outstanding, excluding 618,400 shares held in treasury.

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	Three Months Ended	
	March 31,	
	2012	2011
Net revenue	\$ 21,206	\$ 22,420
Cost of revenue	12,468	13,040
Gross profit	8,738	9,380
Operating expenses:		
Research and development	2,491	1,158
Selling and marketing	7,008	5,009
General and administrative	5,953	5,256
Total operating expenses	15,452	11,423
Loss from operations	(6,714)	(2,043)
Other income		230
Interest expense, net	(291)	(291)
Foreign currency gains, net	220	199
Loss before income taxes and noncontrolling interest	(6,785)	(1,905)
Income tax benefit	179	22
Consolidated net loss	(6,606)	(1,883)
Less: Net loss attributable to noncontrolling interest	377	21
Net loss attributable to Identive Group, Inc.	\$ (6,229)	\$ (1,862)
Basic and diluted net loss per share attributable to Identive Group, Inc.	\$ (0.11)	\$ (0.04)
Weighted average shares used to compute basic and diluted loss per share	58,599	47,741

See notes to condensed consolidated financial statements.

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IDENTIVE GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(unaudited)

	Three Months Ended	
	March 31,	
	2012	2011
Consolidated net loss	\$ (6,606)	\$ (1,883)
Other comprehensive income, net of tax of nil:		
Foreign currency translation adjustments	742	2,240
Consolidated comprehensive (loss) income	(5,864)	357
Comprehensive loss attributable to noncontrolling interest	417	125
Comprehensive (loss) income attributable to Identive Group, Inc.	\$ (5,447)	\$ 482

See notes to condensed consolidated financial statements.

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IDENTIVE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

(unaudited)

	March 31, 2012	December 31, 2011(A)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,339	\$ 17,239
Accounts receivable, net of allowances of \$457 and \$268 as of March 31, 2012 and December 31, 2011, respectively	13,472	13,578
Inventories	10,385	9,263
Prepays and other current assets	2,740	2,426
Total current assets	39,936	42,506
Property and equipment, net	8,680	6,699
Goodwill	73,395	58,404
Intangible assets, net	38,476	36,001
Other assets	548	501
Total assets	\$ 161,035	\$ 144,111
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 13,881	\$ 11,941
Liability to related party	1,528	1,076
Liability for consumer cards	5,805	
Financial liabilities	1,618	884
Deferred revenue	3,283	2,085
Accrued compensation and related benefits	4,075	3,527
Other accrued expenses and liabilities	8,375	6,249
Total current liabilities	38,565	25,762
Long-term earn-out liability	6,094	5,663
Long-term liability to related party	7,210	7,303
Long-term financial liabilities	4,901	1,189
Deferred tax liability	6,361	6,094
Other long term liability	929	629
Total liabilities	64,060	46,640
Commitments and contingencies (see Notes 13)		
Equity:		
Identive Group, 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; 59,892 and 58,309 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively	59	58
Additional paid-in capital	335,355	331,758
Treasury stock, 618 shares as of March 31, 2012 and December 31, 2011	(2,777)	(2,777)

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Accumulated deficit	(241,627)	(235,398)
Accumulated other comprehensive income	2,820	2,038
Total Identive Group, Inc. stockholders' equity	93,830	95,679
Noncontrolling interest	3,145	1,792
Total equity	96,975	97,471
Total liabilities and stockholders' equity	\$ 161,035	\$ 144,111

(A) The condensed consolidated balance sheet has been derived from the audited consolidated financial statements at December 31, 2011 but does not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See notes to condensed consolidated financial statements

Table of Contents**IDENTIVE GROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY****Year Ended December 31, 2011 and Three Months Ended March 31, 2012****(unaudited)**

<i>(In thousands)</i>	Identive Group, Inc. Stockholders					Accumulative		Total Equity
	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Other Comprehensive Income	Noncontrolling Interest	
	Shares	Amount						
Balances, December 31, 2010	48,276	\$ 48	\$ 306,203	\$ (2,777)	\$ (225,896)	\$ 323	\$ 1,903	\$ 79,804
Comprehensive loss:								
Net loss					(9,502)		(468)	(9,970)
Foreign currency translation adjustment, net tax of nil						1,715	(103)	1,612
Comprehensive loss								(8,358)
Issuance of common stock in connection with capital raise, net of issuance costs	7,843	8	18,204					18,212
Issuance of common stock in connection with idOnDemand acquisition	996	1	3,023					3,024
Noncontrolling interest in connection with idOnDemand acquisition							468	468
Issuance of common stock in connection with earn-out agreements	137		316					