

DOT HILL SYSTEMS CORP
Form 10-Q
August 06, 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 June 30, 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 1-13317

DOT HILL SYSTEMS CORP.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

13-3460176
(I.R.S. Employer Identification No.)

1351 S. Sunset Street, Longmont, CO
(Address of principal executive offices)

80501
(Zip Code)

(303) 845-3200
(Registrant's telephone number, including area code)
(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 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

The registrant had 62,332,870 shares of common stock, \$0.001 par value, outstanding as of July 31, 2015.

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FORM 10-Q
For the Quarter Ended June 30, 2015
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Part I. Financial Information

Item 1. Financial Statements

DOT HILL SYSTEMS CORP.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)
 AS OF DECEMBER 31, 2014 AND JUNE 30, 2015
 (In thousands, except par value data)

| | December 31, 2014 | June 30, 2015 |
|--|----------------------|------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$42,492 | \$49,137 |
| Accounts receivable, net | 43,328 | 44,975 |
| Inventories | 11,342 | 9,201 |
| Prepaid expenses and other assets | 11,126 | 6,444 |
| Total current assets | 108,288 | 109,757 |
| Property and equipment, net | 8,764 | 8,923 |
| Intangible assets | 2,680 | 4,512 |
| Other assets | 500 | 485 |
| Total assets | \$120,232 | \$123,677 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$37,421 | \$27,998 |
| Accrued compensation | 4,015 | 4,684 |
| Accrued expenses | 8,039 | 9,837 |
| Deferred revenue | 5,319 | 3,836 |
| Total current liabilities | 54,794 | 46,355 |
| Other long-term liabilities | 2,908 | 2,283 |
| Total liabilities | 57,702 | 48,638 |
| Commitments and Contingencies (Note 8) | | |
| Stockholders' Equity: | | |
| Preferred stock, \$0.001 par value, 10,000 shares authorized, no shares issued or outstanding at December 31, 2014 and June 30, 2015 | — | — |
| Common stock, \$0.001 par value, 100,000 and 200,000 shares authorized, 60,777 and 62,251 shares issued and outstanding at December 31, 2014 and June 30, 2015, respectively | 61 | 62 |
| Additional paid-in capital | 336,827 | 342,082 |
| Accumulated other comprehensive loss | (3,152) | (455) |
| Accumulated deficit | (271,206) | (266,650) |
| Total stockholders' equity | 62,530 | 75,039 |
| Total liabilities and stockholders' equity | \$120,232 | \$123,677 |

See accompanying notes to unaudited condensed consolidated financial statements.

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DOT HILL SYSTEMS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2015

(In thousands, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|-----------------------------------|--------------------|----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2014 | 2015 | 2014 | 2015 |
| NET REVENUE | \$48,222 | \$61,539 | \$96,429 | \$122,660 |
| COST OF GOODS SOLD | 32,199 | 41,405 | 65,141 | 81,496 |
| GROSS PROFIT | 16,023 | 20,134 | 31,288 | 41,164 |
| OPERATING EXPENSES: | | | | |
| Research and development | 9,340 | 9,960 | 18,816 | 20,079 |
| Sales and marketing | 3,843 | 3,441 | 7,137 | 7,245 |
| General and administrative | 2,851 | 5,960 | 5,749 | 9,172 |
| Total operating expenses | 16,034 | 19,361 | 31,702 | 36,496 |
| OPERATING INCOME (LOSS) | (11 |) 773 | (414 |) 4,668 |
| OTHER INCOME (EXPENSE): | | | | |
| Interest income (expense), net | (4 |) (13 |) (22 |) (27 |
| Other income (expense), net | 11 | — | 21 | — |
| Total other income (expense), net | 7 | (13 |) (1 |) (27 |
| INCOME (LOSS) BEFORE INCOME TAXES | (4 |) 760 | (415 |) 4,641 |