

INNODATA INC
Form 10-Q
August 08, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

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: **0-22196**

INNODATA INC.

(Exact name of registrant as specified in its charter)

Delaware	13-3475943
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

55 Challenger Road	07660
Ridgefield Park, New Jersey	(Zip Code)
(Address of principal executive offices)	

(201) 371-8000

(Registrant's telephone number, including area code)

[None]

(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," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of outstanding shares of the registrant's common stock, \$.01 par value, as of August 1, 2017 was 25,877,454.

INNODATA INC. AND SUBSIDIARIES

For the Quarter Ended June 30, 2017

INDEX

	Page No.
<u>Part I – Financial Information</u>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited):</u>	
<u>Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016</u>	1
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended June 30, 2017 and 2016</u>	2
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the six months ended June 30, 2017 and 2016</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016</u>	4
<u>Condensed Consolidated Statements of Stockholders’ Equity for the six months ended June 30, 2017 and 2016</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
Item 4. <u>Controls and Procedures</u>	42
<u>Part II – Other Information</u>	
Item 1. <u>Legal Proceedings</u>	43
Item 1A. <u>Risk Factors</u>	43
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
Item 3. <u>Defaults Upon Senior Securities</u>	44
Item 4. <u>Mine Safety Disclosures</u>	44
Item 5. <u>Other Information</u>	44
Item 6. <u>Exhibits</u>	45

Signatures

INNODATA INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share and per share amounts)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,275	\$ 14,172
Accounts receivable, net	9,230	9,952
Prepaid expenses and other current assets	3,771	3,124
Total current assets	28,276	27,248
Property and equipment, net	7,262	5,397
Other assets	3,240	2,377
Deferred income taxes	1,910	1,641
Intangibles, net	7,897	8,191
Goodwill	2,776	2,734
Total assets	\$ 51,361	\$ 47,588
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 942	\$ 1,018
Accrued expenses	6,295	4,333
Accrued salaries, wages and related benefits	5,601	5,040
Income and other taxes	1,879	1,330
Current portion of long-term obligations	1,997	1,120
Total current liabilities	16,714	12,841
Deferred income taxes	682	680
Long-term obligations, net of current portion	4,567	3,917
Commitments and contingencies		
Non-controlling interests	(3,803)	(3,634)
STOCKHOLDERS' EQUITY:		
Serial preferred stock; 5,000,000 shares authorized, none outstanding		
Common stock, \$.01 par value; 75,000,000 shares authorized; 27,559,000 shares issued and 25,878,000 outstanding at June 30, 2017 and 27,305,000 shares issued and 25,624,000 outstanding at December 31, 2016	275	273
Additional paid-in capital	27,057	26,057
Retained earnings	10,504	12,400
Accumulated other comprehensive loss	(13)	(324)
	37,823	38,406

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Less: treasury stock, 1,681,000 shares at June 30, 2017 and December 31, 2016, at cost	(4,622)	(4,622)
Total stockholders' equity	33,201	33,784
Total liabilities and stockholders' equity	\$ 51,361	\$ 47,588

See notes to condensed consolidated financial statements.

INNODATA INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE LOSS

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2017	2016
Revenues	\$ 15,300	\$ 15,642
Operating costs and expenses:		
Direct operating costs	11,399	11,685
Selling and administrative expenses	4,043	5,553
Interest expense, net	1	16
	15,443	17,254
Loss before provision for income taxes	(143)	(1,612)
Provision for income taxes	94	258
Net loss	(237)	(1,870)
Loss attributable to non-controlling interests	71	92
Net loss attributable to Innodata Inc. and Subsidiaries	\$ (166)	\$ (1,778)
Loss per share attributable to Innodata Inc. and Subsidiaries:		
Basic and diluted	\$ (0.01)	\$ (0.07)
Weighted average shares outstanding:		
Basic and diluted	25,877	25,445
Comprehensive loss:		
Net loss	\$ (237)	\$ (1,870)
Pension liability adjustment, net of taxes	(61)	(82)
Change in fair value of derivatives, net of taxes	(175)	(193)
Foreign currency translation adjustment	274	8
Other comprehensive income (loss)	38	(267)
Total comprehensive loss	(199)	(2,137)
Comprehensive loss attributed to non-controlling interest	71	92

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Comprehensive loss attributable to Innodata Inc. and Subsidiaries \$ (128) \$ (2,045)

See notes to condensed consolidated financial statements.

INNODATA INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE LOSS

(Unaudited)

(In thousands, except per share amounts)

	Six Months Ended June 30,	
	2017	2016
Revenues	\$30,253	\$31,340
Operating costs and expenses:		
Direct operating costs	23,122	23,150
Selling and administrative expenses	8,668	9,364
Interest expense (income), net	(11)	29
	31,779	32,543
Loss before provision for income taxes	(1,526)	(1,203)
Provision for income taxes	539	776
Net loss	(2,065)	(1,979)
Loss attributable to non-controlling interests	169	204
Net loss attributable to Innodata Inc. and Subsidiaries	\$(1,896)	\$(1,775)
Loss per share attributable to Innodata Inc. and Subsidiaries:		
Basic and diluted	\$(0.07)	\$(0.07)
Weighted average shares outstanding:		
Basic and diluted	25,753	25,445
Comprehensive loss:		
Net loss	\$(2,065)	\$(1,979)
Pension liability adjustment, net of taxes	(123)	(164)
Change in fair value of derivatives, net of taxes	136	246
Foreign currency translation adjustment	298	364
Other comprehensive income	311	446
Total comprehensive loss	(1,754)	(1,533)
Comprehensive loss attributed to non-controlling interest	169	204

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Comprehensive loss attributable to Innodata Inc. and Subsidiaries \$(1,585) \$(1,329)

See notes to condensed consolidated financial statements.

INNODATA INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flow from operating activities:		
Net loss	\$(2,065)	\$(1,979)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,852	1,324
Stock-based compensation	477	522
Deferred income taxes	(282)	(232)
Pension cost	177	82
Changes in operating assets and liabilities:		
Accounts receivable	959	(188)
Prepaid expenses and other current assets	(211)	17
Other assets	(169)	(139)
Accounts payable and accrued expenses	1,847	1,356
Accrued salaries, wages and related benefits	550	479
Income and other taxes	525	(73)
Net cash provided by operating activities	3,660	1,169
Cash flow from investing activities:		
Capital expenditures	(2,298)	(871)
Net cash used in investing activities	(2,298)	(871)
Cash flow from financing activities:		
Proceeds from equipment financing	586	-
Payment of long-term obligations	(831)	(340)
Net cash used in financing activities	(245)	(340)
Effect of exchange rate changes on cash and cash equivalents	(14)	95
Net increase in cash and cash equivalents	1,103	53
Cash and cash equivalents, beginning of period	14,172	24,908
Cash and cash equivalents, end of period	\$15,275	\$24,961
Supplemental disclosures of cash flow information:		

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Cash paid for income taxes	\$456	\$688
Vendor financed software licenses acquired	\$1,213	\$-
Common stock issued for MediaMiser acquisition	\$525	\$-

See notes to condensed consolidated financial statements.

INNODATA INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(Unaudited)

(In thousands)

	Common Stock		Additional	Retained	Accumulated	Treasury	Total
	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Income (Loss)	Stock	
January 1, 2017	25,624	\$ 273	\$ 26,057	\$ 12,400	\$ (324)	\$(4,622)	\$ 33,784
Net loss attributable to Innodata Inc. and subsidiaries	-	-	-	(1,896)	-	-	(1,896)
Stock-based compensation	-	-	477	-	-	-	477
Issuance of common stock in connection with MediaMiser acquisition	254	2	523	-	-	-	525
Pension liability adjustments, net of taxes	-	-	-	-	(123)	-	(123)
Foreign currency translation adjustment, net of taxes	-	-	-	-	298	-	298
Change in fair value of derivatives, net of taxes	-	-	-	-	136	-	136
June 30, 2017	25,878	\$ 275	\$ 27,057	\$ 10,504	\$ (13)	\$(4,622)	\$ 33,201
January 1, 2016	25,445	\$ 270	\$ 24,590	\$ 17,924	\$ (84)	\$(4,488)	\$ 38,212
Net loss attributable to Innodata Inc. and subsidiaries	-	-	-	(1,775)	-	-	(1,775)
Stock-based compensation	-	-	522	-	-	-	522
Acquisition of non-controlling interest	-	-	(260)	-	-	-	(260)
Pension liability adjustments, net of taxes	-	-	-	-	(164)	-	(164)
Foreign currency translation adjustment, net of taxes	-	-	-	-	364	-	364
Change in fair value of derivatives, net of taxes	-	-	-	-	-	-	-