

KVH INDUSTRIES INC \DE\
Form 10-Q
November 05, 2008
Table of Contents

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: September 30, 2008

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 0-28082

KVH Industries, Inc.

(Exact Name of Registrant as Specified in its Charter)

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Delaware
(State or Other Jurisdiction of

05-0420589
(I.R.S. Employer

Incorporation or Organization)

Identification Number)

50 Enterprise Center, Middletown, RI 02842

(Address of Principal Executive Offices) (Zip Code)

(401) 847-3327

(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 such filing requirements for the past 90 days. **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**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Date	Class	Outstanding shares
November 4, 2008	Common Stock, par value \$0.01 per share	14,129,880

Table of Contents

KVH INDUSTRIES, INC. AND SUBSIDIARY

Form 10-Q

INDEX

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	
ITEM 1.	
<u>FINANCIAL STATEMENTS</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2008 (unaudited) and December 31, 2007</u>	3
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2008 and 2007 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2008 and 2007 (unaudited)</u>	5
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	6
ITEM 2.	
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	12
ITEM 3.	
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	18
ITEM 4.	
<u>CONTROLS AND PROCEDURES</u>	18
<u>PART II. OTHER INFORMATION</u>	
ITEM 1.	
<u>LEGAL PROCEEDINGS</u>	19
ITEM 1A.	
<u>RISK FACTORS</u>	19
ITEM 2.	
<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	28
ITEM 6.	
<u>EXHIBITS</u>	29
<u>SIGNATURE</u>	30
<u>EXHIBIT INDEX</u>	31

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****KVH INDUSTRIES, INC. AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share amounts, unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,542	\$ 12,284
Marketable securities	41,905	41,021
Accounts receivable, net of allowance for doubtful accounts of approximately \$202 as of September 30, 2008 and \$256 as of December 31, 2007	9,060	12,827
Inventories	15,215	9,313
Prepaid expenses and other assets	892	982
Costs and estimated earnings in excess of billings on uncompleted contracts	63	18
Deferred income taxes	17	17
Total current assets	74,694	76,462
Property and equipment, less accumulated depreciation of \$18,622 as of September 30, 2008 and \$16,963 as of December 31, 2007		
	12,150	11,738
Other non-current assets	3,339	36
Deferred income taxes	3,334	3,334
Total assets	\$ 93,517	\$ 91,570
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 5,540	\$ 3,016
Accrued compensation and employee-related expenses	3,195	2,125
Accrued other	2,620	2,453
Accrued product warranty costs	1,106	778
Accrued professional services	296	261
Current portion of long-term debt	2,060	132
Total current liabilities	14,817	8,765
Long-term debt excluding current portion		2,026
Deferred sales		9
Total liabilities	14,817	10,800
Commitments and contingencies (notes 3 and 10)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 1,000,000 shares; none issued	151	151

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Common stock, \$0.01 par value. Authorized 20,000,000 shares, 15,099,314 and 15,070,528 shares issued at September 30, 2008 and December 31, 2007; 14,132,593 and 14,829,528 shares outstanding at September 30, 2008 and December 31, 2007, respectively

Additional paid-in capital	92,419	91,124
Accumulated deficit	(5,579)	(8,331)
Accumulated other comprehensive income (loss)	30	(1)
Less: treasury stock at cost, common stock, 966,721 shares as of September 30, 2008 and 241,000 shares as of December 31, 2007	(8,321)	(2,173)
Total stockholders equity	78,700	80,770
Total liabilities and stockholders equity	\$ 93,517	\$ 91,570

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**KVH INDUSTRIES, INC. AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except share amounts, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Sales:				
Product	\$ 12,325	\$ 15,337	\$ 52,734	\$ 55,369
Service	3,415	2,229	8,454	5,842
Total sales	15,740	17,566	61,188	61,211
Cost and expenses:				
Cost of product sales	7,693	9,570	31,754	33,958
Cost of service sales	1,571	1,009	3,893	2,807
Sales, marketing and support	3,573	3,534	11,830	11,324
Research and development	1,813	2,258	5,804	6,986
General and administrative	1,992	1,977	5,280	6,100
Total costs and expenses	16,642	18,348	58,561	61,175
Income (loss) from operations	(902)	(782)	2,627	36
Interest income	278	704	1,037	2,084
Interest expense	36	42	118	129
Other income (expense), net	(42)	27	(236)	(15)
Income (loss) before income taxes	(702)	(93)	3,310	1,976
Income tax expense (benefit)	110	(73)	558	438
Net income(loss)	\$ (812)	\$ (20)	\$ 2,752	\$ 1,538
Per share information:				
Net income (loss) per share, basic and diluted	\$ (0.06)	\$ (0.00)	\$ 0.19	\$ 0.10
Number of shares used in per share calculation:				
Basic	14,251	15,005	14,461	14,977
Diluted	14,251	15,005	14,474	15,001

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**KVH INDUSTRIES, INC. AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands, unaudited)

	Nine months ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 2,752	\$ 1,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,659	1,593
Compensation expense related to stock options and employee stock purchase plan	1,171	878
Provision for doubtful accounts, net	122	67
Loss on foreign currency forward exchange contracts	302	204
Changes in operating assets and liabilities:		
Accounts receivable	3,645	354
Costs and estimated earnings in excess of billings on uncompleted contracts	(45)	143
Inventories	(5,902)	(1,018)
Prepaid expenses and other assets	90	(94)
Other non-current assets	(3,303)	103
Accounts payable	2,524	996
Accrued expenses	1,215	(290)
Deferred sales	(9)	(84)
Net cash provided by operating activities	4,221	4,390
Cash flows from investing activities:		
Purchase of marketable securities	(22,438)	(54,206)
Maturities and sales of marketable securities	21,584	52,668
Capital expenditures	(2,070)	(3,136)
Net cash used in investing activities	(2,924)	(4,674)
Cash flows from financing activities:		
Repayments of long-term debt	(98)	(91)
Proceeds from stock options and employee stock purchase plan	207	1,349
Repurchase of common stock	(6,148)	(1,084)
Payment of stock registration fees		(8)
Net cash (used in) provided by financing activities	(6,039)	166
Net decrease in cash and cash equivalents	(4,742)	(118)
Cash and cash equivalents at beginning of period	12,284	15,781
Cash and cash equivalents at end of period	\$ 7,542	\$ 15,663
Supplemental disclosure of noncash investing activity:		
Changes in accounts payable related to fixed asset additions	\$	\$ 378
Supplemental disclosure of noncash financing activity:		
Employee stock purchase plan activity	\$ 15	\$ 12
Common stock received for option exercise		244
Retirement of treasury stock		244

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

KVH INDUSTRIES, INC. AND SUBSIDIARY

Notes to Condensed Consolidated Financial Statements

(Unaudited, all amounts in thousands except share and per share amounts)