

LIVE VENTURES Inc
Form 10-Q
August 10, 2017

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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, 2017

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 001-33937

Live Ventures Incorporated

(Exact name of registrant as specified in its charter)

Nevada

85-0206668

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(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

325 E. Warm Springs Road, Suite 102

Las Vegas, Nevada

(Address of principal executive offices)

89119

(Zip Code)

(702) 939-0231

(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 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, smaller reporting company, or an emerging growth 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. (Check one)

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 shares of the issuer's common stock, par value \$.001 per share, outstanding as of June 30, 2017 was 2,010,413.

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FOR THE QUARTER ENDED JUNE 30, 2017

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PART I – FINANCIAL INFORMATION**ITEM 1.****FINANCIAL STATEMENTS**

LIVE VENTURES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017 (Unaudited)	September 30, 2016
Assets		
Cash and cash equivalents	\$4,275,052	\$770,895
Trade and other receivables, net	11,376,486	8,334,801
Inventories, net	33,746,102	11,053,085
Prepaid expenses and other current assets	3,815,575	5,059,981
Total current assets	53,213,215	25,218,762
Property and equipment, net	21,081,840	14,014,501
Deposits and other assets	77,520	19,765
Deferred taxes	9,504,029	12,524,582
Intangible assets, net	2,779,351	1,689,790
Goodwill	39,066,061	–
Total assets	\$125,722,016	\$53,467,400
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$9,741,460	\$5,402,654
Accrued liabilities	5,093,972	6,396,772
Income taxes payable	318,144	–
Current portion of notes payable	5,847,194	1,789,290
Total current liabilities	21,000,770	13,588,716
Notes payable, net of current portion	70,104,445	13,682,872
Note payable, related party	2,000,000	2,000,000
Total liabilities	93,105,215	29,271,588
Commitment and contingencies		
Stockholders' equity:		

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Series B convertible preferred stock, \$0.001 par value, 1,000,000 shares authorized, 214,244 shares issued and outstanding at June 30, 2017 and no shares issued and outstanding at September 30, 2016	214	–
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 shares issued and outstanding at June 30, 2017 and at September 30, 2016, with a liquidation preference \$38,352	10,866	10,866
Common stock, \$0.001 par value, 10,000,000 shares authorized, 2,088,186 shares issued and 2,010,413 shares outstanding at June 30, 2017; 2,819,327 shares issued and 2,789,205 shares outstanding at September 30, 2016	2,088	2,819
Paid in capital	56,841,245	53,319,217
Treasury stock (77,773 shares)	(796,393)	(300,027)
Accumulated deficit	(23,441,219)	(28,837,063)
Total stockholders' equity	32,616,801	24,195,812
Total liabilities and stockholders' equity	\$125,722,016	\$53,467,400

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LIVE VENTURES, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$41,377,493	\$19,994,363	\$112,102,582	\$59,938,720
Cost of revenues	24,383,596	14,894,949	65,988,083	42,823,232
Gross profit	16,993,897	5,099,414	46,114,499	17,115,488
Operating expenses:				
General and administrative expenses	9,335,904	2,172,366	25,544,443	6,696,637
Sales and marketing expenses	2,274,866	1,869,830	6,237,004	7,115,903
Total operating expenses	11,610,770	4,042,196	31,781,447	13,812,540
Operating income	5,383,127	1,057,218	14,333,052	3,302,948
Other (expense) income:				
Interest expense, net	(2,127,790)	(270,007)	(5,612,319)	(950,476)
Other income	12,652	326,708	197,814	694,277
Total other (expense) income, net	(2,115,138)	56,701	(5,414,505)	(256,199)
Income before provision for income taxes	3,267,989	1,113,919	8,918,547	3,046,749
Provision for income taxes				
Current tax expense:				
Federal	29,685	—	298,390	—
State	(40,998)	—	202,322	—
Total Current tax expense	(11,313)	—	500,712	—
Deferred tax expense (benefit):				
Federal	1,114,588	(12,254,278)	2,713,261	(11,840,298)
State	36,671	—	307,292	—
Total Deferred tax expense (benefit)	1,151,259	(12,254,278)	3,020,553	(11,840,298)
Total provision (benefit) for income taxes	1,139,946	(12,254,278)	3,521,265	(11,840,298)
Net income	2,128,043	13,368,197	5,397,282	14,887,047
Net income attributed to noncontrolling interest	—	—	—	124,194
Net income attributed to Live Ventures, Incorporated	\$2,128,043	\$13,368,197	\$5,397,282	\$14,762,853
Earnings per share:				
Basic	\$1.04	\$4.76	\$2.36	\$5.25
Diluted	\$0.55	\$4.05	\$1.31	\$4.48
Weighted average common shares outstanding:				
Basic	2,044,767	2,806,060	2,289,646	2,813,192
Diluted	3,869,248	3,297,012	4,131,912	3,292,507

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LIVE VENTURES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended June 30,	
	2017	2016
OPERATING ACTIVITIES:		
Net income	\$5,397,282	\$14,887,047
Adjustments to reconcile net income to net cash provided by (used in) operating activities, net of acquisition:		
Depreciation and amortization	3,112,786	1,623,013
Amortization of debt issuance cost	157,158	–
Stock based compensation expense	137,011	254,710
Loss on disposal of property and equipment	55,703	71,614
Non-cash interest expense associated with convertible debt and warrants	–	4,749
Non-cash issuance of common stock for services	–	22,500
Change in reserve for uncollectible accounts	(39,865)	30,073
Change in reserve for obsolete inventory	(771,971)	703,532
Change in contingent liability	–	(316,000)
Change in deferred income taxes	3,020,553	(12,254,278)
Changes in assets and liabilities:		
Accounts receivable	(2,888,320)	(426,744)
Prepaid expenses and other current assets	2,104,859	55,849
Inventories	(1,760,954)	1,868,343
Deposits and other assets	(57,755)	16,325
Accounts payable	495,296	556,916
Accrued liabilities	(449,799)	333,874
Income taxes payable	318,144	(376,000)
Net cash provided by operating activities	8,830,128	7,055,523
INVESTING ACTIVITIES:		
Acquisition of business, net of cash acquired and seller financing provided	(47,310,900)	–
Purchase of intangible assets - Software	(124,230)	–
Proceeds from the sale of property and equipment	37,920	653,857
Purchases of property and equipment	(7,753,755)	(3,343,937)
Net cash used in investing activities	(55,150,965)	(2,690,080)
FINANCING ACTIVITIES:		
Net borrowings under revolver loans	17,152,852	(2,485,546)
Payments of debt issuance costs	(1,155,000)	(415,757)
Payment for the purchase of the noncontrolling interest	–	(2,000,000)
Proceeds from issuance of notes payable	36,984,434	10,050,521
Payment of series E preferred stock dividends	(959)	(959)

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Purchase of treasury stock	(496,366)	(202,005)
Payments on notes payable	(2,659,967)	(4,400,114)
Payments on notes payable, related party	–	(4,505,979)
Net cash provided by (used in) financing activities	49,824,994	(3,959,839)
INCREASE IN CASH AND CASH EQUIVALENTS	3,504,157	405,604
CASH AND CASH EQUIVALENTS, beginning of period	770,895	2,727,818
CASH AND CASH EQUIVALENTS, end of period	\$4,275,052	\$3,133,422
Supplemental cash flow disclosures:		
Interest paid	\$4,340,486	\$842,202
Income taxes paid	\$103,704	\$466,000
Noncash financing and investing activiti		