

IDI, Inc.
Form 10-Q
August 08, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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, 2016

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 333-158336

IDI, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 77-0688094
(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

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2650 North Military Trail, Suite 300,

Boca Raton, Florida 33431

(Address of Principal Executive Offices) (Zip Code)

(561) 757-4000

(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 Website, 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:

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

As of August 8, 2016, the registrant had 50,657,244 shares of common stock outstanding.

IDI, INC.

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PART I - FINANCIAL INFORMATION

Unless otherwise indicated or required by the context, all references in this Quarterly Report on Form 10-Q to “we,” “us,” “our,” “IDI,” or the “Company” refer to IDI, Inc. and its consolidated subsidiaries.

ITEM 1. FINANCIAL STATEMENTS.

IDI, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

(unaudited)

| | June 30, 2016 | December 31, 2015 |
|--|------------------|-------------------|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 11,233 | \$ 13,462 |
| Accounts receivable, net of allowance for doubtful accounts of \$513 and \$318 at June 30, 2016 and December 31, 2015, respectively | 24,766 | 21,224 |
| Prepaid expenses and other current assets | 2,125 | 2,931 |
| Total current assets | 38,124 | 37,617 |
| Property and equipment, net | 1,499 | 1,062 |
| Intangible assets, net | 104,361 | 87,445 |
| Goodwill | 166,083 | 161,753 |
| Other non-current assets | 2,021 | 1,315 |
| Total assets | \$312,088 | \$ 289,192 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 10,986 | \$ 8,863 |
| Accrued expenses and other current liabilities | 9,136 | 9,160 |
| Deferred revenue | 344 | 783 |
| Current portion of long-term debt | 2,250 | 2,250 |
| Total current liabilities | 22,716 | 21,056 |
| Promissory notes payable to certain shareholders, net | 10,137 | 9,618 |
| Long-term debt, net | 38,227 | 39,050 |
| Contingent consideration payable in stock | 10,000 | - |
| Deferred tax liabilities | 7,090 | 13,573 |
| Total liabilities | 88,170 | 83,297 |
| Shareholders' equity: | | |
| Convertible Series A preferred stock—\$0.0001 par value 10,000,000 shares authorized; - 0 and 4,871,802 shares issued and outstanding at June 30, 2016 and December 31, | - | - |

| | | |
|---|-----------|------------|
| 2015, respectively | | |
| Convertible Series B preferred stock—\$0.0001 par value 10,000,000 shares authorized; | | |
| 0 and 450,962 shares issued and outstanding at June 30, 2016 and December 31, | | |
| 2015, respectively | - | - |
| Common stock—\$0.0005 par value 200,000,000 shares authorized; 50,700,356 and | | |
| 15,709,786 shares issued at June 30, 2016 and December 31, 2015, respectively; | | |
| and 50,645,144 and 15,709,786 shares outstanding at June 30, 2016 and December | | |
| 31, | | |
| 2015, respectively | 25 | 8 |
| Treasury stock, at cost, 55,212 and 0 shares at June 30, 2016 and December 31, 2015, | | |
| respectively | (272) | - |
| Additional paid-in capital | 323,266 | 291,032 |
| Accumulated deficit | (99,101) | (85,145) |
| Total shareholders' equity | 223,918 | 205,895 |
| Total liabilities and shareholders' equity | \$312,088 | \$ 289,192 |

See notes to condensed consolidated financial statements

IDI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Amounts in thousands, except share data)

(unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------|------------------|-------------|
| | June 30, 2016 | 2015 | June 30, 2016 | 2015 |
| Revenue | \$41,043 | \$994 | \$80,467 | \$2,252 |
| Cost of revenues (exclusive of depreciation and amortization) | 29,557 | 424 | 58,051 | 978 |
| Gross profit | 11,486 | 570 | 22,416 | 1,274 |
| Operating expenses: | | | | |
| Sales and marketing expenses | 3,179 | 472 | 6,305 | 1,005 |
| General and administrative expenses | 13,167 | 3,773 | 26,534 | 5,472 |
| Depreciation and amortization | 2,996 | 41 | 5,605 | 76 |
| Loss from operations | (7,856) | (3,716) | (16,028) | (5,279) |
| Other income (expense): | | | | |
| Interest expense, net | (1,856) | - | (3,681) | - |
| Other expenses, net | (976) | - | (1,273) | - |
| Total other expense | (2,832) | - | (4,954) | - |
| Loss from continuing operations before income taxes | (10,688) | (3,716) | (20,982) | (5,279) |
| Income taxes | (3,504) | 265 | (7,026) | 265 |
| Net loss from continuing operations | (7,184) | (3,981) | (13,956) | (5,544) |
| Discontinued operations: | | | | |
| Pretax loss from operations of discontinued operations | - | (1,171) | - | (1,262) |
| Pretax loss on disposal of discontinued operations | - | (41,471) | - | (41,471) |
| Income taxes | - | 127 | - | 127 |
| Net loss from discontinued operations | - | (42,769) | - | (42,860) |
| Less: Non-controlling interests | - | (1,280) | - | (1,297) |
| Net loss from discontinued operations attributable to IDI | - | (41,489) | - | (41,563) |
| Net loss attributable to IDI | \$(7,184) | \$(45,470) | \$(13,956) | \$(47,107) |
| Loss per share | | | | |
| Basic and diluted | | | | |
| Continuing operations | \$(0.15) | \$(0.29) | \$(0.37) | \$(0.52) |
| Discontinued operations | - | (2.99) | - | (3.88) |
| | \$(0.15) | \$(3.27) | \$(0.37) | \$(4.40) |
| Weighted average number of shares outstanding - | | | | |
| Basic and diluted | 48,084,608 | 13,896,948 | 37,776,411 | 10,710,334 |
| Comprehensive loss: | | | | |
| Net loss attributable to IDI, Inc. | \$(7,184) | \$(45,470) | \$(13,956) | \$(47,107) |

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| | | | | | | | | |
|---|----------|------|-----------|---|-----------|---|-----------|---|
| Foreign currency translation adjustment | - | (136 |) | - | (130 |) | | |
| Net comprehensive loss | \$(7,184 |) | \$(45,606 |) | \$(13,956 |) | \$(47,237 |) |

See notes to condensed consolidated financial statements

IDI, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in thousands, except share data)

(unaudited)

| | Convertible Series A preferred Shares | Amount | Convertible Series B preferred Shares | Amount | Common stock Shares | Amount | Treasury stock Shares | Amount | Additional paid-in capital | Accumulated deficit | Total Shareholders' equity |
|---|---|--------|---|--------|------------------------|--------|--------------------------|--------|----------------------------------|------------------------|----------------------------------|
| Balance as at January 1, 2016 | 4,871,802 | \$- | 450,962 | \$- | 15,709,786 | \$8 | - | \$- | \$291,032 | \$(85,145) | \$205,895 |
| Issuance of contingent earn out shares | 1,800,220 | - | - | - | 900,108 | - | - | - | - | - | - |
| Conversion of Series A preferred stock into common stock | (6,672,022) | - | - | - | 6,672,022 | 3 | - | - | (3) | - | - |
| Conversion of Series B preferred stock into common stock | - | - | (450,962) | - | 22,548,100 | 11 | - | - | (11) | - | - |
| Issuance of common stock to a vendor for services rendered | - | - | - | - | 12,000 | - | - | - | 131 | - | 131 |
| Common stock issued in exchange for warrants previously issued to certain | - | - | - | - | 1,069,728 | 1 | - | - | 1,272 | - | 1,273 |

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| | | | | | | | | | | | |
|---|---|-----|-----|------------|------|--------|---------|-----------|------------|-----------|----------|
| shareholders | | | | | | | | | | | |
| Vesting of restricted stock units | - | - | - | 419,422 | - | - | - | - | - | - | - |
| Increase in treasury stock resulting from shares withheld to pay statutory taxes in connection with the vesting of restricted stock units | - | - | - | - | - | 55,212 | (272) | - | - | - | (272) |
| Issuance of common stock upon a direct offering to certain investors, net of issuance costs of \$336 | - | - | - | 1,000,000 | 1 | - | - | 4,663 | - | - | 4,664 |
| Issuance of common stock in connection with Q Interactive acquisition | - | - | - | 2,369,190 | 1 | - | - | 11,205 | - | - | 11,206 |
| Share-based compensation expenses | - | - | - | - | - | - | - | 14,977 | - | - | 14,977 |
| Net loss attributable to IDI | - | - | - | - | - | - | - | - | - | (13,956) | (13,956) |
| Balance as at June 30, 2016 | - | \$- | \$- | 50,700,356 | \$25 | 55,212 | \$(272) | \$323,266 | \$(99,101) | \$223,918 | |

See notes to condensed consolidated financial statements

IDI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, except share data)

(unaudited)

| | Six Months Ended June 30, | |
|--|------------------------------|------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss attributable to IDI | \$(13,956) | \$(47,107) |
| Less: Loss from discontinued operations, net of tax | - | (41,563) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 5,605 | 76 |
| Non-cash interest expenses and related amortization | 1,202 | - |
| Share-based payments | 14,623 | 1,971 |
| Non-cash loss on exchange of warrants | 1,273 | - |
| Provision (recovery) for bad debts | 195 | (84) |
| Deferred income tax (benefit) expenses | (7,039) | 265 |
| Changes in assets and liabilities of continuing operations, net of the effects of acquisition: | | |
| Accounts receivable | 869 | (172) |
| Prepaid expenses and other current assets | 968 | (554) |
| Other non-current assets | (706) | - |
| Trade accounts payable | (174) | - |
| Accrued expenses and other current liabilities | (1,227) | (95) |
| Amounts due to related parties | - | (18) |
| Deferred revenue | (491) | (17) |
| Net cash provided by (used in) operating activities from continuing operations | 1,142 | (4,172) |
| Net cash used in operating activities from discontinued operations | - | (337) |
| Net cash provided by (used in) operating activities | 1,142 | (4,509) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (577) | (536) |
| Capitalized costs included in intangible assets | (5,902) | (1,319) |
| Proceeds from reverse acquisition | - | 3,569 |
| Acquisition, net of cash acquired | (50) | - |
| Net cash (used in) provided by investing activities from continuing operations | (6,529) | 1,714 |
| Net cash used in investing activities from discontinued operations | - | - |