

SMITH MICRO SOFTWARE INC
Form 10-Q
July 27, 2018

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, 2018

OR

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

Commission file number 001 35525

SMITH MICRO SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 33 0029027
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

51 COLUMBIA

ALISO VIEJO, CA 92656

(Address of principal executive offices, including zip code)

(949) 362-5800

(Registrant's telephone number, including area code)

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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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) 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 Exchange Act Rule 12b-2). Yes No

As of July 25, 2018, there were 25,003,420 shares of common stock outstanding.

SMITH MICRO SOFTWARE, INC.

QUARTERLY REPORT ON FORM 10-Q

June 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SMITH MICRO SOFTWARE, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and par value data)

	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,745	\$ 2,205
Accounts receivable, net of allowances for doubtful accounts and other adjustments of \$170 (2018) and \$221 (2017)	6,182	5,145
Prepaid expenses and other current assets	774	576
Total current assets	15,701	7,926
Equipment and improvements, net	1,060	1,229
Deferred tax assets, net	404	404
Other assets	148	146
Intangible assets, net	359	487
Goodwill	3,685	3,685
Total assets	\$ 21,357	\$ 13,877
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,315	\$ 1,333
Accrued payroll and benefits	1,998	1,994
Related-party notes payable	—	1,000
Other accrued liabilities	411	416
Deferred revenue	261	73
Total current liabilities	3,985	4,816
Non-current liabilities:		
Related-party notes payable, net of discount & issuance costs of \$0 (2018) and \$0 (2017)	1,200	1,200
Notes payable, net of discount & issuance costs of \$312 (2018) and \$442 (2017)	1,689	1,558
Warrant liability	9,004	—
Deferred rent	846	970
Other long term liabilities	649	766
Total non-current liabilities	13,388	4,494
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.001 per share; 5,000,000 shares authorized; 5,500	—	—

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shares issued (2018 and 2017); 1,370 and 5,500 shares outstanding (2018 and

2017, respectively)

Common stock, par value \$0.001 per share; 100,000,000 shares authorized;

25,003,420 and 14,268,765 shares issued and outstanding (2018 and

2017, respectively)

	25	14
Additional paid-in capital	241,790	237,486
Accumulated comprehensive deficit	(237,831)	(232,933)
Total stockholders' equity	3,984	4,567
Total liabilities and stockholders' equity	\$ 21,357	\$ 13,877

See accompanying notes to the consolidated financial statements.

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SMITH MICRO SOFTWARE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	\$6,945	\$ 5,862	\$12,408	\$ 11,438
Cost of revenues	1,116	1,285	2,425	2,568
Gross profit	5,829	4,577	9,983	8,870
Operating expenses:				
Selling and marketing	1,447	1,461	3,177	3,254
Research and development	2,195	2,174	4,450	4,671
General and administrative	2,061	2,239	4,251	4,428
Restructuring expense	52	322	52	714
Total operating expenses	5,755	6,196	11,930	13,067
Operating income (loss)	74			