

IRIDEX CORP
Form 10-Q
August 08, 2016
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 July 2, 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: 0-27598

IRIDEX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	77-0210467
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification Number)

1212 Terra Bella Avenue

Mountain View, California	94043-1824
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (650) 940-4700

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 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

The number of shares of common stock, \$0.01 par value, issued and outstanding as of July 25, 2016 was 10,118,499.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

IRIDEX Corporation

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands except share and per share data)

	July 2, 2016	January 2, 2016 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,521	\$ 9,995
Accounts receivable, net of allowance for doubtful accounts of \$149 as of July 2, 2016 and \$140 as of January 2, 2016	8,450	9,282
Inventories	12,141	11,106
Prepaid expenses and other current assets	560	386
Total current assets	32,672	30,769
Property and equipment, net	1,188	1,104
Intangible assets, net	260	268
Goodwill	533	533
Deferred income taxes	8,985	8,985
Other long-term assets	107	164
Total assets	\$ 43,745	\$ 41,823
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,194	\$ 2,223
Accrued compensation	1,750	1,572
Accrued expenses	1,838	1,722
Accrued warranty	610	603
Deferred revenue	1,271	1,311
Total current liabilities	8,663	7,431
Long-term liabilities:		
Other long-term liabilities	566	704
Total liabilities	9,229	8,135
Stockholders' equity:		
Common stock, \$0.01 par value:		
Authorized: 30,000,000 shares;		
Issued and outstanding 10,117,076 and 10,009,408 shares		
as of July 2, 2016 and January 2, 2016, respectively	112	111
Additional paid-in capital	39,040	37,986

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Accumulated deficit	(4,636)	(4,409)
Total stockholders' equity	34,516	33,688
Total liabilities and stockholders' equity	\$43,745	\$41,823

(1) Derived from the audited consolidated financial statements included in the Annual Report on Form 10-K filed with the SEC for the year ended January 2, 2016.

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

IRIDEX Corporation

Condensed Consolidated Statements of Operations

(Unaudited, in thousands except per share data)

	Three Months		Six Months Ended	
	Ended July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Total revenues	\$11,908	\$9,033	\$23,839	\$19,829
Cost of revenues	6,174	4,816	12,808	10,202
Gross profit	5,734	4,217	11,031	9,627
Operating expenses:				
Research and development	1,392	1,482	2,751	2,763
Sales and marketing	2,405	2,158	4,834	4,229
General and administrative	2,331	1,324	3,688	2,979
Total operating expenses	6,128	4,964	11,273	9,971
Loss from operations	(394)	(747)	(242)	(344)
Other expense, net	21	23	32	30
Loss from operations before (benefit from) provision for income taxes	(415)	(770)	(274)	(374)
(Benefit from) provision for income taxes	(87)	(118)	(47)	32
Net loss	\$(328)	\$(652)	\$(227)	\$(406)
Net loss per share:				
Basic	\$(0.03)	\$(0.07)	\$(0.02)	\$(0.04)
Diluted	\$(0.03)	\$(0.07)	\$(0.02)	\$(0.04)
Weighted average shares used in computing net loss per common share:				
Basic	10,085	10,027	10,060	9,948
Diluted	10,085	10,027	10,060	9,948

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

IRIDEX Corporation

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited, in thousands)

	Three Months		Six Months	
	Ended		Ended	
	July	July	July	July
	2,	4,	2,	4,
	2016	2015	2016	2015
Net loss	\$ (328)	\$ (652)	\$ (227)	\$ (406)
Other comprehensive loss, net of tax	—	—	—	—
Comprehensive loss	\$ (328)	\$ (652)	\$ (227)	\$ (406)

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

IRIDEX Corporation

Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands)

	Six Months Ended	
	July 2, 2016	July 4, 2015
Operating activities:		
Net loss	\$(227)	\$(406)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	291	252
Change in fair value of earn-out liability	33	32
Stock-based compensation	800	562
Provision for doubtful accounts	41	—
Changes in operating assets and liabilities:		
Accounts receivable	791	1,018
Inventories	(1,035)	(1,052)
Prepaid expenses and other current assets	(174)	(105)
Other long-term assets	57	26
Accounts payable	971	302
Accrued compensation	178	(393)
Accrued expenses	121	52
Accrued warranty	7	