

Edgar Filing: Identiv, Inc. - Form 10-Q

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

N/A

(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 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 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 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

At March 6, 2016, 10,746,911 shares of common stock were outstanding.

EXPLANATORY NOTE

Identiv, Inc. is filing this Quarterly Report on Form 10-Q late due to an investigation undertaken by a special committee of the Board of Directors, which investigation was completed in late 2015. For more information, please see Note 14, Subsequent Events, included in Item 1. Unless otherwise indicated, the information in this Quarterly Report on Form 10-Q is as of as March 31, 2015.

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	36
Item 4. <u>Controls and Procedures</u>	36
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	39
Item 1A. <u>Risk Factors</u>	39
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
Item 6. <u>Exhibits</u>	39
<u>SIGNATURES</u>	40
<u>EXHIBIT INDEX</u>	41

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited; in thousands, except par value)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash	\$33,087	\$36,547
Accounts receivable, net of allowances of \$191 and \$156 as of March 31, 2015 and December 31, 2014, respectively	9,613	13,612
Inventories	9,922	9,254
Prepaid expenses	1,301	1,002
Other current assets	912	1,200
Total current assets	54,835	61,615
Property and equipment, net	5,053	5,311
Goodwill	8,747	8,853
Intangible assets, net	8,367	8,730
Other assets	1,421	1,371
Total assets	\$78,423	\$85,880
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$6,713	\$8,372
Earn-out liability	3,510	3,510
Current portion - payment obligation	659	635
Deferred revenue	350	508
Accrued compensation and related benefits	1,984	2,139
Other accrued expenses and liabilities	3,562	4,471
Total current liabilities	16,778	19,635
Long-term payment obligation	5,373	5,545
Long-term financial liabilities	13,977	13,938
Other long-term liabilities	537	630
Total liabilities	36,665	39,748
Commitments and contingencies (see Note 12)		
Stockholders' equity:		
Identiv, Inc. stockholders' equity:		
Preferred stock, \$0.001 par value: 10,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.001 par value: 130,000 shares authorized; 11,020 shares and	11	11

Edgar Filing: Identiv, Inc. - Form 10-Q

10,884 shares issued and 10,717 and 10,640 shares outstanding as of		
March 31, 2015 and December 31, 2014, respectively		
Additional paid-in capital	389,433	389,401
Treasury stock, 303 and 244 shares as of March 31, 2015 and December 31, 2014,		
respectively	(5,178)	(4,572)
Accumulated deficit	(343,413)	(338,670)
Accumulated other comprehensive income	1,054	1,699
Total Identiv, Inc. stockholders' equity	41,907	47,869
Noncontrolling interest	(149)	(1,737)
Total stockholders' equity	41,758	46,132
Total liabilities and stockholders' equity	\$78,423	\$85,880

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended	
	March 31, 2015	2014
Net revenue	\$ 14,934	\$ 16,854
Cost of revenue	8,850	10,252
Gross profit	6,084	6,602
Operating expenses:		
Research and development	1,992	1,502
Selling and marketing	4,995	5,035
General and administrative	3,065	3,043
Restructuring and severance	172	437
Total operating expenses	10,224	10,017
Loss from operations	(4,140)	(3,415)
Non-operating income (expense):		
Interest expense, net	(424)	(2,084)
Foreign currency loss, net	(227)	(93)
Loss from continuing operations before income taxes and noncontrolling interest	(4,791)	(5,592)
Income tax provision	(19)	(64)
Loss from continuing operations before noncontrolling interest	(4,810)	(5,656)
Income from discontinued operations, net of income taxes	—	487
Consolidated net loss	(4,810)	(5,169)
Less: Loss attributable to noncontrolling interest	67	41
Net loss attributable to Identiv, Inc. stockholders' equity	\$(4,743)	\$(5,128)
Basic and diluted net income (loss) per share attributable to Identiv, Inc. stockholders' equity:		
Loss from continuing operations	\$(0.44)	\$(0.74)
Income from discontinued operations	—	0.06
Net loss	\$(0.44)	\$(0.68)
Weighted average shares used to compute basic and diluted loss per share	10,694	7,569

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

(unaudited)

	Three Months Ended	
	March 31, 2015	2014
Consolidated net loss	\$(4,810)	\$(5,169)
Other comprehensive income, net of income taxes:		
Foreign currency translation adjustment (loss) gain	(206)	109
Foreign currency translation reclassified into net loss upon acquisition of noncontrolling interest	(444)	—
Total other comprehensive (loss) income, net of income taxes	(650)	109
Consolidated comprehensive loss	(5,460)	(5,060)
Less: Comprehensive loss attributable to noncontrolling interest	72	39
Comprehensive loss attributable to Identiv, Inc. common stockholders	\$(5,388)	\$(5,021)

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

Three Months Ended March 31, 2015

(In thousands)

(unaudited)

	Identiv, Inc. Stockholders' Equity				Accumulated			Total Equity
	Common Shares	Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Other Comprehensive Income	Noncontrolling Interest	
Balances, December 31, 2014	10,640	\$ 11	\$ 389,401	\$(4,572)	\$(338,670)	\$ 1,699	\$(1,737)	\$ 46,132
Net loss	—	—	—	—	(4,743)	—	(67)	(4,810)
Other comprehensive loss	—	—	—	—	—	(201)	(5)	(206)
Issuance of common stock to								
acquire share of								
noncontrolling interest	95	—	(1,216)	—	—	(444)	1,660	—
Issuance of common stock in								
connection with								
exercise of								
options and vesting of								
stock								
awards	41	—	6	—	—	—	—	6
Stock-based compensation								
expense	—	—	1,242	—	—	—	—	1,242
Repurchase of common stock	(59)	—	—	(606)	—	—	—	(606)
Balances, March 31, 2015	10,717	\$ 11	\$ 389,433	\$(5,178)	\$(343,413)	\$ 1,054	\$(149)	\$ 41,758

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

IDENTIV, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(4,810)	\$(5,169)
Gain on sale of discontinued operations	—	(452)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	729	752
Accretion of interest to related party liability	134	146
Amortization of debt issuance costs	116	1,734
Stock-based compensation expense	1,242	200
Changes in operating assets and liabilities:		
Accounts receivable	3,763	(408)
Inventories	(1,060)	(1,241)
Prepaid expenses and other assets	(163)	(321)
Accounts payable	(1,451)	2,600
Payment obligation liability	(282)	(274)
Deferred revenue	(158)	(204)
Accrued expenses and other liabilities	(959)	(1,364)
Net cash used in operating activities	(2,899)	(4,001)
Cash flows from investing activities:		
Capital expenditures	(169)	(262)
Proceeds from sale of business	—	1,286
Net cash (used in) provided by investing activities	(169)	1,024
Cash flows from financing activities:		
Proceeds from issuance of debt, net of issuance costs	—	14,000
Proceeds from capital raise, net of issuance costs	—	2,601
Proceeds from issuance of common stock under employee stock purchase plan and		
options and warrants exercised	6	37
Payments on financial liabilities	—	(6,824)
Repurchase of common stock	(606)	—
Net cash (used in) provided by financing activities	(600)	9,814
Effect of exchange rates on cash	208	82
Net (decrease) increase in cash	(3,460)	6,919
Cash of continuing operations, at beginning of period	36,547	5,095
Add: Cash of discontinued operations, at beginning of period	—	16
Less: Cash of discontinued operations, at end of period	—	—
Cash of continuing operations, at end of period	\$33,087	\$12,030
Non-cash investing and financing activities:		

Edgar Filing: Identiv, Inc. - Form 10-Q

Common stock issued in connection with stock bonus and incentive plans	\$—	\$54
Common stock issued to acquire share of noncontrolling interest	\$1,216	\$—
Property and equipment included in accounts payable	\$27	\$96

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

IDENTIV, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

1. Organization and Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Identiv, Inc. (“Identiv” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, considered necessary for a fair presentation of the Company’s unaudited condensed consolidated financial statements have been included. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or any future period. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Risk Factors,” “Quantitative and Qualitative Disclosures About Market Risk,” and the Consolidated Financial Statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The preparation of unaudited condensed consolidated financial statements necessarily requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the condensed consolidated balance sheet dates and the reported amounts of revenues and expenses for the periods presented. The Company may experience significant variations in demand for its products quarter to quarter and typically experiences a stronger demand cycle in the second half of its fiscal year. As a result, the quarterly results may not be indicative of the full year results. The December 31, 2014 balance sheet was derived from the audited financial statements as of that date.

Concentration of Credit Risk — One customer represented 21% of net revenue for the three months ended March 31, 2015, and one customer represented 15% of net revenue for the three months ended March 31, 2014. One customer represented 12% of the Company’s accounts receivable balance at March 31, 2015. Two customers accounted for more than 10% of the Company’s accounts receivable balance as of December 31, 2014 with each customer accounting for approximately 12% of the Company’s accounts receivable balance at year end.

Discontinued Operations — Financial information related to certain divested businesses of the Company is reported as discontinued operations for all periods presented as discussed in Note 2, Discontinued Operations. Reclassifications of prior period amounts related to discontinued operations have been made to conform to the current period presentation.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement” (ASU 2015-05), which clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software. ASU 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-05 will have a material impact on its condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which changes the presentation of debt issuance costs on the balance sheet by requiring entities to present such costs

as a direct deduction from the related debt liability rather than as an asset. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-03 will have a material impact on its condensed consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items" ("ASU 2015-01"). Under ASU 2015-01, an entity will no longer be allowed to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is unusual in nature and occurs infrequently. ASU 2015-01 is effective for interim and annual reporting periods beginning after December 15, 2015 with early adoption permitted. Upon adoption, the Company may elect prospective or retrospective application. The Company does not expect the adoption of ASU 2015-01 will have a material impact on its condensed consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern", ("ASU 2014-15"), which requires management to perform interim and annual assessments on whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related disclosures, if required. The amendments in ASU 2014-15 are effective for the

annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption on its condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 "Revenue from Contracts with Customers" ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In August 2015, the FASB issued ASU 2015-14, "Revenue From Contracts With Customers (Topic 606)" ("ASU 2015-14"), which defers the effective date of ASU 2014-09 by one year to annual periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new guidance is effective for the Company beginning January 1, 2018 and will provide the Company additional time to evaluate the method and impact that ASU 2014-09 will have on its condensed consolidated financial statements.

2. Discontinued Operations

During the fourth quarter of 2013, the Company's Board of Directors (the "Board") committed to a plan designed to simplify the Company's business structure and to focus on high-growth technology trends within the security market. During the fourth quarter of 2013, the Company committed to sell its Rockwest Technology Group, Inc. d/b/a/ Multicard US ("Multicard US") subsidiary to George Levy, Matt McDaniel and Hugo Garcia (the "Buyers"), the founders and former owners of the Multicard US business. The sale of the Multicard US subsidiary was completed on February 4, 2014 and was made pursuant to a Share Purchase Agreement dated January 21, 2014 between the Company and the Buyers whereby the Company agreed to sell 80.1% of its holdings in Multicard US to the Buyers for cash consideration of \$1.2 million. Based on the carrying value of the assets and the liabilities attributed to Multicard US on the date of sale, and the estimated costs and expenses incurred in connection with the sale, the Company recorded a gain of \$0.5 million, net of income taxes of nil, in the condensed consolidated statement of operations for the three months ended March 31, 2014, which was included in income from discontinued operations, net of income taxes.

On June 30, 2014, the Company entered into an asset purchase agreement with a former employee to sell certain non-core assets consisting of inventory, some prepaid items, certain fully depreciated office equipment and certain intellectual property relating to one of its subsidiaries for cash consideration of \$0.1 million. The sale of these non-core assets was completed on July 7, 2014.

In accordance with Accounting Standards Codification ("ASC") 205-20, Discontinued Operations ("ASC 205") issued by the FASB, the results of Multicard US have been presented as discontinued operations in the condensed consolidated statements of operations for the three months ended March 31, 2014.

The key components of income from discontinued operations consist of the following (in thousands):

Three
Months
Ended

Edgar Filing: Identiv, Inc. - Form 10-Q

	March 31, 2014	2014
Net revenue	\$—	\$835
Discontinued operations:		
Income from discontinued operations, net of income taxes of nil	\$—	\$35
Adjustments to amounts reported previously for gain on sale of discontinued		
operations, net of income taxes of nil	—	(51)
Gain on sale of discontinued operations, net of income taxes of nil	—	503
Income from discontinued operations, net of income taxes	\$—	\$487

3. Fair Value Measurements

The Company determines the fair values of its financial instruments based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. Under ASC 820, Fair Value Measurement and Disclosures (“ASC 820”), the fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Quoted prices (unadjusted) for identical assets and liabilities in active markets;

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly; and

Level 3 – Unobservable inputs.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of March 31, 2015 and December 31, 2014, there were no assets that are measured and recognized at fair value on a recurring basis. There were no cash equivalents as of March 31, 2015 and December 31, 2014.

The Company’s only liability measured at fair value on a recurring basis is the contingent consideration related to the acquisition of idOnDemand, Inc. (“idOnDemand”). The sellers of idOnDemand (the “Selling Shareholders”) are eligible to receive limited earn-out payments (“Earn-out Consideration”) in the form of shares of common stock subject to certain lock-up periods under the terms of the Stock Purchase Agreement dated April 29, 2011 between the Company and the Selling Shareholders of idOnDemand (the “SPA”). The fair value of the Earn-out Consideration is based on achieving certain revenue and profit targets as defined under the SPA. The calculation of the Earn-out Consideration fair value for periods prior to the year ended December 31, 2014 was probability weighted and discounted to reflect the restriction on the resale or transfer of such shares. The valuation of the Earn-out Consideration is classified as a Level 3 measurement as it is based on significant unobservable inputs and involves management judgment and assumptions about achieving revenue and profit targets and discount rates. The unobservable inputs used in the measurement of the Earn-out Consideration are highly sensitive to fluctuations and any changes in the inputs or the probability weighting thereof could significantly change the measured value of the Earn-out Consideration at each reporting period. The number of shares issued to settle the obligation will be based on the Company’s 30-calendar day average price of the Company’s common stock immediately preceding the settlement date. Thus, in accordance with ASC 480, Distinguishing Liabilities from Equity, the fair value of the Earn-out Consideration is classified as a liability and is re-measured each reporting period through December 31, 2014, once the number of shares to settle the liability was set, the liability was no longer fair valued with the financial value being deemed the fair value of the shares set for settlement.

For the year ended December 31, 2014, the maximum amount for the Earn-out Consideration was \$5.0 million. For the year ended December 31, 2014, the Company engaged a third party independent valuation firm to assist in the determination of the Earn-out Consideration liability. The Company recorded an earn-out obligation of \$3.51 million as of December 31, 2014. The Earn-out Consideration liability was \$3.51 million as of March 31, 2015.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain of the Company’s assets, including intangible assets, goodwill, and privately-held investments, are measured at fair value on a nonrecurring basis if impairment is indicated. Purchased intangible assets are measured at fair value primarily using discounted cash flow projections. For additional discussion of measurement criteria used in evaluating potential impairment involving goodwill and intangible assets, refer to Note 6, Goodwill and Intangible Assets.

Privately-held investments, which are normally carried at cost, are measured at fair value due to events and circumstances that the Company identified as significantly impacting the fair value of investments. The Company estimates the fair value of its privately-held investments using an analysis of the financial condition and near-term

prospects of the investee, including recent financing activities and the investee's capital structure.

As of March 31, 2015 and December 31, 2014, the Company had \$0.3 million of privately-held investments measured at fair value on a nonrecurring basis which were classified as a Level 3 asset due to the absence of quoted market prices and inherent lack of liquidity. The Company reviews its investments to identify and evaluate investments that have an indication of possible impairment. The Company adjusts the carrying value for its privately-held investments for any impairment if the fair value is less than the carrying value of the respective assets on an other-than-temporary basis. During the three months ended March 31, 2015, the Company determined that no privately-held investments were impaired. The amount of privately-held investments is included in other assets in the condensed consolidated balance sheets.

As of March 31, 2015 and December 31, 2014, there were no liabilities that are measured and recognized at fair value on a non-recurring basis.

Assets and Liabilities Not Measured at Fair Value

The carrying amounts of the Company's accounts receivable, prepaid expenses and other current assets, accounts payable, financial liabilities and other accrued liabilities approximate fair value due to their short maturities.

4. Stockholders' Equity

Reverse Stock Split

On May 22, 2014, the stockholders approved, and the Company filed a certificate of amendment to its Amended and Restated Certificate of Incorporation with the Secretary of the State of Delaware effecting a one-for-ten reverse stock split. The reverse stock split did not change the par value of the Company's common stock or the number of preferred stock authorized for issuance.

Common Stock Warrants

In connection with the Company's entry into a consulting agreement in August 2014, the Company issued a consultant a warrant to purchase up to 85,000 shares of the Company's common stock at a per share exercise price of \$10.70 (the "Consultant Warrant"). One fourth of the shares under the warrant are exercisable for cash three months from the date the Consultant Warrant was issued and quarterly thereafter. The Consultant Warrant expires on August 13, 2019. In the event of an acquisition of the Company, the Consultant Warrant shall terminate and no longer be exercisable as of the closing of the acquisition. As of March 31, 2015, the Consultant Warrant is not fully vested and has not been exercised.

In connection with the Company's entry into a credit agreement with Opus Bank ("Opus") as discussed in Note 8, Financial Liabilities, the Company issued Opus a warrant to purchase up to 100,000 shares of the Company's common stock at a per share exercise price of \$9.90 (the "Opus Warrant"). The Opus Warrant is immediately exercisable for cash or by net exercise and expires on March 31, 2019. The shares issuable upon exercise of the Opus Warrant are to be registered at the request of Opus pursuant to the Registration Rights Agreement, dated March 31, 2014, between the Company and Opus. As of March 31, 2015, the Opus Warrant had not been exercised.

On August 14, 2013, in a private placement, the Company issued 834,847 shares of its common stock at a price of \$8.50 per share and warrants to purchase an additional 834,847 shares of its common stock at an exercise price of \$10.00 per share (the "2013 Private Placement Warrants") to accredited and other qualified investors (the "Investors"). The 2013 Private Placement Warrants have a term of four years and are exercisable beginning six months following the date of issuance. The number of shares issuable upon exercise of the 2013 Private Placement Warrants is subject to adjustment for any stock dividends, stock splits or distributions by the Company, or upon any merger or consolidation or sale of assets of the Company, tender or exchange offer for the Company's common stock, or a reclassification of the Company's common stock.

The Company issued warrants to purchase 409,763 shares of its common stock at an exercise price of \$26.50 per share in a private placement to accredited and other qualified investors in November 2010 (the "2010 Private Placement

Edgar Filing: Identiv, Inc. - Form 10-Q

Warrants”). The 2010 Private Placement Warrants are exercisable beginning on the date of issuance and expire on November 14, 2015.

Below is the summary of outstanding warrants issued by the Company as of March 31, 2015:

Warrant Type	Number of Shares Issuable Upon Exercise	Weighted Average Exercise Price	Issue Date	Expiration Date
Consultant Warrant	85,000	\$ 10.70	August 13, 2014	August 13, 2019
Opus Warrant	100,000	9.90	March 31, 2014	March 31, 2019
2013 Private Placement Warrants	186,878	10.00	August 14, 2013	August 14, 2017
2010 Private Placement Warrants	369,169	26.50	November 14, 2010	November 14, 2015
Total	741,047			

2011 Employee Stock Purchase Plan

In June 2011, the Company's stockholders approved the 2011 Employee Stock Purchase Plan (the "ESPP"). On December 18, 2013, the Compensation Committee of the Board suspended the ESPP effective January 1, 2014. No additional shares will be authorized and no shares will be issued under the ESPP until further notice. As of March 31, 2015, there were 293,888 shares reserved for future purchase under the ESPP. Since the ESPP was suspended effective January 1, 2014, there was no stock-based compensation expense resulting from the ESPP included in the condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014.

Stock-Based Compensation Plans

The Company has various stock-based compensation plans to attract, motivate, retain and reward employees, directors and consultants by providing its Board or a committee of the Board the discretion to award equity incentives to these persons. The Company's stock-based compensation plans consist of the Director Option Plan, 1997 Stock Option Plan, 2000 Stock Option Plan, 2007 Stock Option Plan (the "2007 Plan"), the 2010 Bonus and Incentive Plan (the "2010 Plan") and the 2011 Incentive Compensation Plan (the "2011 Plan"), as amended.

Stock Bonus and Incentive Plans

In June 2010, the Company's stockholders approved the 2010 Plan which granted cash and equity-based awards to executive officers, directors and other key employees as designated by the Compensation Committee of the Board. An aggregate of 300,000 shares of the Company's common stock was reserved for issuance under the 2010 Plan as equity-based awards, including shares, nonqualified stock options, restricted stock or deferred stock awards. These awards provide the Company's executives, directors and other key employees the opportunity to earn shares of common stock depending on the extent to which certain performance goals are met. Since the adoption of the 2011 Plan (described below), the Company utilizes shares from the 2010 Plan only for performance-based awards and all equity awards granted under the 2010 Plan are issued pursuant to the 2011 Plan.

On June 6, 2011, the Company's stockholders approved the 2011 Plan, which is administered by the Compensation Committee of the Board. The 2011 Plan provides that stock options, stock units, restricted shares, and stock appreciation rights may be granted to executive officers, directors, consultants, and other key employees. The Company reserved 400,000 shares of common stock under the 2011 Plan, plus 459,956 shares of common stock that remained available for delivery under the 2007 Plan and the 2010 Plan as of June 6, 2011. In aggregate, as of June 6, 2011, 859,956 shares were available for future grants under the 2011 Plan, including shares rolled over from the 2007 Plan and 2010 Plan.

Stock Option Plans

A summary of activity for the Company's stock option plans for the three months ended March 31, 2015 follows:

	Number	Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Average Intrinsic Value
Balance at December 31, 2014	897,115	\$ 12.09		\$3,425,558
Granted	—	—		

Edgar Filing: Identiv, Inc. - Form 10-Q

Cancelled or Expired	(24,388)	15.80		
Exercised	(688)	8.00		
Balance at March 31, 2015	872,039	\$ 11.99	7.24	\$374,867
Vested or expected to vest at				
March 31, 2015	799,420	\$ 12.25	6.99	\$339,349
Exercisable at March 31,				
2015	406,673	\$ 15.11	5.45	\$144,478

Edgar Filing: Identiv, Inc. - Form 10-Q

The following table summarizes information about options outstanding as of March 31, 2015:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$5.20 - \$8.40	179,175	7.94	\$ 6.49	86,383	\$ 6.94
\$8.41 - \$8.80	256,625	8.93	8.80	65,375	8.80
\$8.81 - \$11.30	174,976	8.89	10.84	18,655	10.06
\$11.31 - \$24.00	177,800	4.53	14.75	153,385	14.88
\$24.01 - \$43.40	83,463	1.93	30.17	82,875	30.20
\$5.20 - \$43.40	872,039	7.24	\$ 11.99	406,673	\$ 15.11

At March 31, 2015, there was \$2.1 million of unrecognized stock-based compensation expense, net of estimated forfeitures related to unvested options, that is expected to be recognized over a weighted-average period of 2.82 years.

Restricted Stock and Restricted Stock Units

The following is a summary of restricted stock and restricted stock unit (“RSU”) activity for the three months ended March 31, 2015:

	Number	Weighted Average	Weighted Average Remaining	Average
	Outstanding	Fair Value	Contractual Term (Years)	Intrinsic Value
Balance at December 31, 2014	542,342	\$ 13.74		\$7,533,132
Granted	264,000	12.49		
Vested	(39,921)	10.04		
Forfeited	(22,000)	10.57		
Balance at March 31, 2015	744,421	\$ 13.34	1.65	\$6,387,133

The fair value of the Company’s restricted stock awards and RSUs is calculated based upon the fair market value of the Company’s stock at the date of grant. As of March 31, 2015, there was \$7.2 million of unrecognized compensation cost related to unvested RSUs granted, which is expected to be recognized over a weighted average period of 3.15 years. As of March 31, 2015, an aggregate of 744,421 RSUs were outstanding under the 2011 Plan.

Stock-Based Compensation Expense

The following table illustrates all employee stock-based compensation expense related to stock options and RSUs included in the condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended March 31,	
	2015	2014
Cost of revenue	\$29	\$5
Research and development	69	18
Selling and marketing	239	51
General and administrative	869	126
Total	\$1,206	\$200

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance as of March 31, 2015 was as follows:

Exercise of outstanding stock options and vesting of RSUs	1,616,460
ESPP	293,888
Shares of common stock available for grant under the 2011 Plan	139,380
Noncontrolling interest in Bluehill AG	10,355
Warrants to purchase common stock	741,047
Contingent consideration for idOnDemand	321,429
Total	3,122,559

Net Loss per Common Share Attributable to Identiv Stockholders' Equity

Basic and diluted net loss per share is based upon the weighted average number of common shares outstanding during the period. For the three months ended March 31, 2015 and 2014, common stock equivalents consisting of outstanding stock options, RSUs and warrants were excluded from the calculation of diluted loss per share because these securities were anti-dilutive due to the net loss in the respective periods. The total number of common stock equivalents excluded from diluted loss per share relating to these securities was 2,689,291 common stock equivalents for the three months ended March 31, 2015, and 3,980,609 common stock equivalents for the three months ended March 31, 2014, respectively.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income ("AOCI") at March 31, 2015 and December 31, 2014 consists of foreign currency translation adjustments totaling \$1.1 million and \$1.7 million, respectively. As a result of the acquisition of the noncontrolling interest in a subsidiary company, \$0.5 million was reclassified out of AOCI into net loss during the three months ended March 31, 2015.

5. Balance Sheet Components

The Company's inventories are stated at the lower of cost or market. Inventories consist of (in thousands):

	March 31, 2015	December 31, 2014
Raw materials	\$3,872	\$ 3,272
Work-in-progress	477	571
Finished goods	5,573	5,411
Total	\$9,922	\$ 9,254

Property and equipment, net consists of (in thousands):

	March 31, 2015	December 31, 2014
Building and leasehold improvements	\$1,247	\$ 1,298
Furniture, fixtures and office equipment	3,680	4,236
Plant and machinery	7,307	6,732
Purchased software	2,582	2,520
Total	14,816	14,786
Accumulated depreciation	(9,763)	(9,475)
Property and equipment, net	\$5,053	\$ 5,311

The Company recorded depreciation expense of \$0.4 million and \$0.4 million during the three months ended March 31, 2015 and 2014, respectively.

Other accrued expenses and liabilities consist of (in thousands):