

ExOne Co
Form 10-Q
August 09, 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 No. 001-35806

The ExOne Company

(Exact name of registrant as specified in its charter)

Delaware 46-1684608
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

127 Industry Boulevard

North Huntingdon, Pennsylvania 15642

(Address of principal executive offices) (Zip Code)

(724) 863-9663

(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 (§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.

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 Securities Exchange Act of 1934). Yes No

As of August 9, 2016, 16,067,620 shares of common stock, par value \$0.01, were outstanding.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

We qualify as an “emerging growth company” (“EGC”) as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). An EGC may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies.

As an EGC:

- We are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- We are permitted to provide less extensive disclosure about our executive compensation arrangements;
- We are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements; and
- We have elected to use an extended transition period for complying with new or revised accounting standards.

We will continue to operate under these provisions until December 31, 2018, or such earlier time that we are no longer an EGC. We would cease to be an EGC if we have more than \$1.0 billion in annual revenues, qualify as a “large accelerated filer” under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which requires us to have more than \$700 million in market value of our common stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some, but not all, of these reduced burdens.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The ExOne Company and Subsidiaries

Condensed Statement of Consolidated Operations and Comprehensive Loss (Unaudited)

(in thousands, except per-share amounts)

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenue				
Revenue - third parties	\$11,718	\$7,358	\$20,097	\$14,149
Revenue - related parties	37	1,140	72	1,142
	11,755	8,498	20,169	15,291
Cost of sales	8,249	7,393	14,787	14,186
Gross profit	3,506	1,105	5,382	1,105
Operating expenses				
Research and development	1,946	1,659	3,839	3,393
Selling, general and administrative	4,663	6,343	9,988	12,461
	6,609	8,002	13,827	15,854
Loss from operations	(3,103)	(6,897)	(8,445)	(14,749)
Other (income) expense				
Interest expense	22	30	254	58
Other (income) expense - net	(205)	71	(298)	(79)
	(183)	101	(44)	(21)
Loss before income taxes	(2,920)	(6,998)	(8,401)	(14,728)
Provision (benefit) for income taxes	22	(100)	18	(159)
Net loss	\$(2,942)	\$(6,898)	\$(8,419)	\$(14,569)
Net loss per common share:				
Basic	\$(0.18)	\$(0.48)	\$(0.53)	\$(1.01)
Diluted	\$(0.18)	\$(0.48)	\$(0.53)	\$(1.01)
Comprehensive loss:				
Net loss	\$(2,942)	\$(6,898)	\$(8,419)	\$(14,569)
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(249)	685	1,799	(4,663)
Comprehensive loss	\$(3,191)	\$(6,213)	\$(6,620)	\$(19,232)

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

The ExOne Company and Subsidiaries

Condensed Consolidated Balance Sheet (Unaudited)

(in thousands, except per-share and share amounts)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$31,884	\$19,342
Accounts receivable - net of allowance of \$1,675 (2016) and \$1,920 (2015)	5,234	9,368
Inventories - net	19,934	19,839
Prepaid expenses and other current assets	1,969	2,918
Total current assets	59,021	51,467
Property and equipment - net	55,012	54,832
Other noncurrent assets	1,438	1,659
Total assets	\$115,471	\$107,958
Liabilities		
Current liabilities:		
Current portion of long-term debt	\$140	\$138
Current portion of capital leases	85	82
Accounts payable	3,493	3,231
Accrued expenses and other current liabilities	5,008	6,410
Deferred revenue and customer prepayments	8,904	7,103
Total current liabilities	17,630	16,964
Long-term debt - net of current portion	1,742	1,812
Capital leases - net of current portion	41	81
Other noncurrent liabilities	9	28
Total liabilities	19,422	18,885
Contingencies and commitments		
Stockholders' equity		
Common stock, \$0.01 par value, 200,000,000 shares authorized,		
15,995,282 (2016) and 14,446,967 (2015) shares issued and outstanding	160	144
Additional paid-in capital	170,207	156,627
Accumulated deficit	(62,582)	(54,163)
Accumulated other comprehensive loss	(11,736)	(13,535)
Total stockholders' equity	96,049	89,073
Total liabilities and stockholders' equity	\$115,471	\$107,958

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

The ExOne Company and Subsidiaries

Condensed Statement of Consolidated Cash Flows (Unaudited)

(in thousands)

	Six Months Ended June 30,	
	2016	2015
Operating activities		
Net loss	\$(8,419)	\$(14,569)
Adjustments to reconcile net loss to cash used for operations:		
Depreciation and amortization	2,862	2,489
Deferred income taxes	(29)	(206)
Equity-based compensation	554	822
(Recoveries) provision for bad debts	(271)	324
Loss from disposal of property and equipment	198	—
Amortization of debt issuance costs	204	—
Changes in fair value of contingent consideration	—	(193)
Changes in assets and liabilities, excluding effects of foreign currency translation adjustments:		
Decrease in accounts receivable	4,652	6,134
Increase in inventories	(948)	(8,357)
Decrease in prepaid expenses and other assets	823	89
Increase in accounts payable	208	1,914
Decrease in accrued expenses and other liabilities	(1,551)	(527)
Increase in deferred revenue and customer prepayments	1,550	3,974
Cash used for operating activities	(167)	(8,106)
Investing activities		
Capital expenditures	(331)	(2,831)
Proceeds from sale of property and equipment	44	—
Cash used for investing activities	(287)	(2,831)
Financing activities		
Net proceeds from issuance of common stock - Registered direct offering		
to a related party	12,447	—
Net proceeds from issuance of common stock - At the market offerings	595	—
Payments on long-term debt	(68)	(65)
Payments on capital and financing leases	(41)	(194)
Cash provided by (used for) financing activities	12,933	(259)
Effect of exchange rate changes on cash and cash equivalents	63	(226)
Net change in cash and cash equivalents	12,542	(11,422)
Cash and cash equivalents at beginning of period	19,342	36,202
Cash and cash equivalents at end of period	\$31,884	\$24,780
Supplemental disclosure of noncash investing and financing activities		
Property and equipment included in accounts payable	\$20	\$234
Transfer of internally developed 3D printing machines from inventories to	\$1,997	\$2,506

property and equipment for internal use or leasing activities

Transfer of internally developed 3D printing machines from property and equipment to

inventories for sale

\$682

\$149

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

The ExOne Company and Subsidiaries

Condensed Statement of Changes in Consolidated Stockholders' Equity (Unaudited)

(in thousands)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity
Balance at December 31, 2014	14,417	\$ 144	\$ 154,902	\$ (28,298)	\$ (8,203)	\$ 118,545
Net loss	—	—	—	(14,569)	—	(14,569)
Other comprehensive loss	—	—	—	—	(4,663)	(4,663)