

Energy Recovery, Inc.
Form 10-Q
May 08, 2014

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 March 31, 2014

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: 001-34112

Energy Recovery, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

01-0616867

(IRS Employer Identification No.)

1717 Doolittle Drive, San Leandro, CA

(Address of Principal Executive Offices)

94577

(Zip Code)

(510) 483-7370

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(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. (Check one):

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 Exchange Act Rule 12b-2). Yes No

As of May 2, 2014, there were 51,509,218 shares of the registrant's common stock outstanding.

ENERGY RECOVERY, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2014

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PART I — FINANCIAL INFORMATION**Item 1. Financial Statements (unaudited)****ENERGY RECOVERY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data and par value)

(unaudited)

| | March 31, 2014 | December 31, 2013 |
|--|-------------------------------|----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$11,437 | \$ 14,371 |
| Restricted cash | 5,157 | 4,311 |
| Short-term investments | 8,017 | 5,856 |
| Accounts receivable, net of allowance for doubtful accounts of \$263 and \$241 at March 31, 2014 and December 31, 2013, respectively | 17,202 | 15,222 |
| Unbilled receivables | 746 | 5,442 |
| Inventories | 8,276 | 4,955 |
| Deferred tax assets, net | 698 | 698 |
| Prepaid expenses and other current assets | 2,131 | 1,018 |
| Total current assets | 53,664 | 51,873 |
| Restricted cash, non-current | 3,210 | 4,468 |
| Unbilled receivables, non-current | 1,197 | 1,197 |
| Long-term investments | 8,810 | 13,694 |
| Property and equipment, net of accumulated depreciation of \$12,850 and \$12,082 at March 31, 2014 and December 31, 2013, respectively | 13,161 | 13,903 |
| Goodwill | 12,790 | 12,790 |
| Other intangible assets, net | 3,792 | 4,008 |
| Other assets, non-current | 2 | 2 |
| Total assets | \$96,626 | \$ 101,935 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$1,639 | \$ 1,209 |

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| | | |
|---|-----------|------------|
| Accrued expenses and other current liabilities | 5,362 | 7,963 |
| Income taxes payable | 28 | 22 |
| Accrued warranty reserve | 705 | 709 |
| Deferred revenue | 830 | 779 |
| Total current liabilities | 8,564 | 10,682 |
| Deferred tax liabilities, non-current, net | 2,186 | 2,131 |
| Deferred revenue, non-current | 94 | 130 |
| Other non-current liabilities | 1,951 | 2,077 |
| Total liabilities | 12,795 | 15,020 |
| Commitments and Contingencies (Note 9) | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding | — | — |
| Common stock, \$0.001 par value; 200,000,000 shares authorized; 53,395,001 and 51,497,098 shares issued and outstanding at March 31, 2014, respectively; and 53,136,704 and 51,354,101 shares issued and outstanding at December 31, 2013, respectively | 53 | 53 |
| Additional paid-in capital | 121,119 | 119,932 |
| Accumulated other comprehensive loss | (62) | (107) |
| Treasury stock, at cost, 1,897,903 and 1,782,603 shares repurchased at March 31, 2014 and December 31, 2013, respectively | (4,633) | (4,000) |
| Accumulated deficit | (32,646) | (28,963) |
| Total stockholders' equity | 83,831 | 86,915 |
| Total liabilities and stockholders' equity | \$96,626 | \$ 101,935 |

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

ENERGY RECOVERY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

| | Three Months Ended | |
|-----------------------------------|-------------------------------|-------------|
| | March 31, | |
| | 2014 | 2013 |
| Net revenue | \$3,897 | \$6,373 |
| Cost of revenue | 1,652 | 3,356 |
| Gross profit | 2,245 | 3,017 |
| Operating expenses: | | |
| General and administrative | 2,039 | 4,170 |
| Sales and marketing | 2,495 | 2,011 |
| Research and development | 1,234 | 1,082 |
| Amortization of intangible assets | 215 | |