

KVH INDUSTRIES INC \DE\
Form 10-Q
November 05, 2009
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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: September 30, 2009

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 0-28082

KVH Industries, Inc.

(Exact Name of Registrant as Specified in its Charter)

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Delaware
(State or Other Jurisdiction of

05-0420589
(I.R.S. Employer

Incorporation or Organization)

Identification Number)

50 Enterprise Center, Middletown, RI 02842

(Address of Principal Executive Offices) (Zip Code)

(401) 847-3327

(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 Rule 12b-2 of the Exchange Act). **Yes** **No**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Date	Class	Outstanding shares
November 2, 2009	Common Stock, par value \$0.01 per share	14,004,421

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KVH INDUSTRIES, INC. AND SUBSIDIARY

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KVH INDUSTRIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts, unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,103	\$ 4,979
Marketable securities	37,400	37,681
Accounts receivable, net of allowance for doubtful accounts of approximately \$901 as of September 30, 2009 and \$333 as of December 31, 2008	12,342	13,960
Inventories	14,762	15,484
Prepaid expenses and other assets	1,272	731
Costs and estimated earnings in excess of billings on uncompleted contracts	76	44
Deferred income taxes	32	32
Total current assets	69,987	72,911
Property and equipment, less accumulated depreciation of \$20,712 as of September 30, 2009 and \$19,050 as of December 31, 2008	15,564	13,286
Other non-current assets	5,913	4,226
Deferred income taxes	3,334	3,334
Total assets	\$ 94,798	\$ 93,757
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 3,713	\$ 5,488
Accrued compensation and employee-related expenses	3,537	3,013
Accrued other	3,347	2,400
Deferred sales	866	366
Accrued product warranty costs	1,149	1,139
Accrued professional services	379	256
Current portion of long-term debt	116	2,026
Total current liabilities	13,107	14,688
Other long-term liabilities	82	
Long-term debt excluding current portion	3,837	
Total liabilities	17,026	14,688

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Commitments and contingencies (notes 3 and 10)

Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 1,000,000 shares; none issued		
Common stock, \$0.01 par value. Authorized 20,000,000 shares, 15,191,644 and 15,127,327 shares issued at September 30, 2009 and December 31, 2008; 13,990,320 and 14,049,047 shares outstanding at September 30, 2009 and December 31, 2008, respectively		
	152	151
Additional paid-in capital	94,263	92,932
Accumulated deficit	(7,253)	(5,273)
Accumulated other comprehensive income	81	129
Less: treasury stock at cost, common stock, 1,201,324 shares as of September 30, 2009 and 1,078,280 shares as of December 31, 2008	(9,471)	(8,870)
Total stockholders' equity	77,772	79,069
Total liabilities and stockholders' equity	\$ 94,798	\$ 93,757

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**KVH INDUSTRIES, INC. AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except share amounts, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Sales:				
Product	\$ 18,620	\$ 12,325	\$ 52,314	\$ 52,734
Service	4,023	3,415	10,461	8,454
Net sales	22,643	15,740	62,775	61,188
Costs and expenses:				
Costs of product sales	10,663	7,693	33,139	31,754
Costs of service sales	3,044	1,571	7,422	3,893
Sales, marketing and support	4,241	3,573	12,371	11,830
Research and development	2,292	1,813	6,265	5,804
General and administrative	1,943	1,992	5,723	5,280
Total costs and expenses	22,183	16,642	64,920	58,561
Income (loss) from operations	460	(902)	(2,145)	2,627
Interest income	74	278	279	1,037
Interest expense	26	36	63	118
Other expense, net	29	42	21	236
Income (loss) before income taxes	479	(702)	(1,950)	3,310
Income tax expense	94	110	30	558
Net income (loss)	\$ 385	\$ (812)	\$ (1,980)	\$ 2,752
Per share information:				
Net income (loss) per share, basic and diluted	\$ 0.03	\$ (0.06)	\$ (0.14)	\$ 0.19
Number of shares used in per share calculation:				
Basic	13,978	14,251	13,981	14,461
Diluted	14,241	14,251	13,981	14,474

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**KVH INDUSTRIES, INC. AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands, unaudited)

	Nine months ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net (loss) income	\$ (1,980)	\$ 2,752
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	1,872	1,659
Compensation expense related to stock options and employee stock purchase plan	1,248	1,171
Provision for doubtful accounts, net	612	122
Loss on foreign currency forward exchange contracts		302
Gain on sale of fixed assets	(10)	
Changes in operating assets and liabilities:		
Accounts receivable	1,006	3,645
Costs and estimated earnings in excess of billings on uncompleted contracts	(32)	(45)
Inventories	722	(5,902)
Prepaid expenses and other assets	(541)	90
Other non-current assets	(1,687)	(3,303)
Accounts payable	(1,775)	2,524
Accrued expenses	1,603	1,002
Deferred sales	500	213
Other long-term liabilities	82	(9)
Net cash provided by operating activities	1,620	4,221
Cash flows from investing activities:		
Purchase of marketable securities	(32,214)	(22,438)
Maturities and sales of marketable securities	32,447	21,584
Capital expenditures, net	(4,168)	(2,070)
Proceeds from the sale of fixed assets	29	
Net cash used in investing activities	(3,906)	(2,924)
Cash flows from financing activities:		
Repayments of mortgage loan	(2,073)	(98)
Borrowings from mortgage loan	4,000	