

IDENTIVE GROUP, INC.  
Form 10-Q  
May 10, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2013

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: 000-29440

**IDENTIVE GROUP, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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**DELAWARE**  
**(STATE OR OTHER JURISDICTION OF**  
**INCORPORATION OR ORGANIZATION)**

**77-0444317**  
**(I.R.S. EMPLOYER**  
**IDENTIFICATION NUMBER)**

**1900 Carnegie Avenue, Building B**

**Santa Ana, California 92705**

**(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES INCLUDING ZIP CODE)**

**(949) 250-8888**

**(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 April 30, 2013, 62,298,139 shares of common stock were outstanding, excluding 618,400 shares held in treasury.

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**Table of Contents****PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****IDENTIVE GROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS***(In thousands, except per share data)**(unaudited)*

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net revenues:		
Products	\$ 16,890	\$ 17,501
Services	4,174	3,705
Total net revenues	21,064	21,206
Cost of revenues:		
Products	10,343	10,446
Services	2,550	2,022
Total cost of revenues	12,893	12,468
Gross profit	8,171	8,738
Operating expenses:		
Research and development	2,010	2,491
Selling and marketing	5,719	7,008
General and administrative	4,604	5,524
Re-measurement of contingent consideration		429
Total operating expenses	12,333	15,452
Loss from operations	(4,162)	(6,714)
Interest expense, net	(687)	(291)
Foreign currency (loss) gain, net	(221)	220
Loss before income taxes and noncontrolling interest	(5,070)	(6,785)
Income tax benefit	114	179
Consolidated net loss	(4,956)	(6,606)
Less: Loss attributable to noncontrolling interest	175	377
Net loss attributable to Identive Group, Inc. stockholders' equity	\$ (4,781)	\$ (6,229)
Basic and diluted net loss per share attributable to Identive Group, Inc. stockholders' equity	\$ (0.08)	\$ (0.11)
Weighted average shares used to compute basic and diluted loss per share	60,233	58,599

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

Table of Contents**IDENTIVE GROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS***(In thousands)**(unaudited)*

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Consolidated net loss	\$ (4,956)	\$ (6,606)
Other comprehensive (loss) income, net of tax of nil:		
Unrealized gain on defined benefit plans	19	
Foreign currency translation (loss) gain	(183)	742
<b>Total other comprehensive (loss) income</b>	<b>(164)</b>	<b>742</b>
Consolidated comprehensive loss	(5,120)	(5,864)
Less: Comprehensive loss attributable to noncontrolling interest	238	417
Comprehensive loss attributable to Identive Group, Inc. stockholders' equity	\$ (4,882)	\$ (5,447)

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

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**IDENTIVE GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(In thousands, except par value)*

*(unaudited)*

	March 31, 2013	December 31, 2012 (A)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,485	\$ 7,378
Accounts receivable, net of allowances of \$395 and \$401 as of March 31, 2013 and December 31, 2012, respectively	15,188	17,261
Inventories	10,498	8,892
Prepaid expenses and other current assets	3,590	3,659
<b>Total current assets</b>	<b>34,761</b>	<b>37,190</b>
Property and equipment, net	9,141	8,892
Goodwill	44,711	45,270
Intangible assets, net	11,439	11,882
Other assets	1,396	1,671
<b>Total assets</b>	<b>\$ 101,448</b>	<b>\$ 104,905</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 13,336	\$ 12,926
Liability to related party	1,548	1,552
Liability for consumer cards	5,705	5,811
Financial liabilities	5,046	4,532
Deferred revenue	3,164	2,843
Accrued compensation and related benefits	3,307	3,164
Other accrued expenses and liabilities	7,565	6,490
<b>Total current liabilities</b>	<b>39,671</b>	<b>37,318</b>
Long-term liability to related party	6,063	6,177
Long-term financial liabilities	8,590	9,795
Other long-term liabilities	2,238	2,025
<b>Total liabilities</b>	<b>56,562</b>	<b>55,315</b>
Commitments and contingencies (see Note 13)		
Stockholders' Equity:		
Identive Group, 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; 60,878 and 60,809 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	61	61
Additional paid-in capital	338,227	337,811
Treasury stock, 618 shares as of March 31, 2013 and December 31, 2012, respectively	(2,777)	(2,777)

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Accumulated deficit	(290,792)	(286,011)
Accumulated other comprehensive income	1,278	1,379
Total Identive Group, Inc. stockholders' equity	45,997	50,463
Noncontrolling interest	(1,111)	(873)
Total stockholders' equity	44,886	49,590
Total liabilities and stockholders' equity	\$ 101,448	\$ 104,905

- A. The condensed consolidated balance sheet has been derived from the audited consolidated financial statements at December 31, 2012 but does not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

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



Table of Contents**IDENTIVE GROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY****Year Ended December 31, 2012 and Three Months Ended March 31, 2013****(unaudited)**

<i>(In thousands)</i>	Identive Group, Inc. Stockholders								
	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulative Other		Noncontrolling Interest	Total Equity
	Shares	Amount				Income			
Balances, December 31, 2011	58,309	\$ 58	\$ 331,758	\$ (2,777)	\$ (235,675)	\$ 1,777	\$ 1,792	\$ 96,933	
Net loss					(50,336)		(3,232)	(53,568)	
Other comprehensive loss						(398)	(35)	(433)	
Issuance of common stock in connection with payment solution acquisition	1,358	1	3,040					3,041	
Noncontrolling interest in connection with payment solution acquisition							2,131	2,131	
Issuance of common shares to acquire additional noncontrolling interest in payment solution	548	1	1,167						