

CLEARONE INC  
Form 10-Q  
June 20, 2018

---

**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, 2018

or

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

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-33660

**CLEARONE, INC.**

(Exact name of registrant as specified in its charter)

**Utah**

(State or other jurisdiction of incorporation or organization)

**87-0398877**

(I.R.S. employer identification number)

**5225 Wiley Post Way, Suite 500, Salt Lake City, Utah**

(Address of principal executive offices)

**84116**

(Zip Code)

**+1 (801) 975-7200**

(Registrant's telephone number, including area code)

Indicate by check 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Larger Accelerated Filer

Accelerated Filer

Non-Accelerated Filer  (Do not check if a smaller reporting company)

Smaller Reporting Company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of ClearOne common stock outstanding as of June 15, 2018 was 8,301,273.

**CLEARONE, INC.**

**QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2018**

**INDEX**

**PART I - FINANCIAL INFORMATION**

Item 1. Financial Statements	2
Unaudited Condensed Consolidated Balance Sheets as of March 31, 2018 and December 31, 2017	2
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, 2018 and 2017	3
Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017	4
Unaudited Notes to Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	18
Item 4. Controls and Procedures	18

**PART II - OTHER INFORMATION**

Item 1. Legal Proceedings	19
Item 1A. Risk Factors	19
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3. Defaults Upon Senior Securities	20
Item 4. Mine Safety Disclosures	20
Item 5. Other Information	20
Item 6. Exhibits	20



**PART I - FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****CLEARONE, INC.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except par value)**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$5,577	\$ 5,571
Marketable securities	3,132	2,689
Receivables, net of allowance for doubtful accounts of \$491 and \$472, respectively	6,247	7,794
Inventories, net	14,622	14,415
Distributor channel inventories	—	1,555
Prepaid expenses and other assets	1,963	1,862
Total current assets	31,541	33,886
Long-term marketable securities	7,416	10,349
Long-term inventories, net	8,565	8,708
Property and equipment, net	1,481	1,549
Intangibles, net	7,640	6,543
Deferred income taxes	7,227	6,531
Other assets	316	311
Total assets	\$64,186	\$ 67,877
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$4,295	\$ 4,122
Accrued liabilities	1,975	1,843
Deferred product revenue	282	4,635
Total current liabilities	6,552	10,600
Deferred rent	81	103
Other long-term liabilities	679	607
Total liabilities	7,312	11,310
Shareholders' equity:		

Edgar Filing: CLEARONE INC - Form 10-Q

Common stock, par value \$0.001, 50,000,000 shares authorized, 8,301,273 and 8,319,022 shares issued and outstanding	8	8
Additional paid-in capital	47,612	47,464
Accumulated other comprehensive loss	(113 )	(65 )
Retained earnings	9,367	9,160
Total shareholders' equity	56,874	56,567
Total liabilities and shareholders' equity	\$64,186	\$ 67,877

*See accompanying notes*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND  
COMPREHENSIVE INCOME (LOSS)**

**(Dollars in thousands, except per share amounts)**

	<b>Three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Revenue	\$7,289	\$11,678
Cost of goods sold	3,190	5,000
Gross profit	4,099	6,678
Operating expenses:		
Sales and marketing	2,868	2,741
Research and product development	2,056	2,357
General and administrative	1,617	2,106
Total operating expenses	6,541	7,204
Operating loss	(2,442 )	(526 )
Other income, net	24	102
Loss before income taxes	(2,418 )	(424 )
Provision for (benefit from) income taxes	(572 )	44
Net loss	\$(1,846 )	\$(468 )
Basic weighted average shares outstanding	8,307,125	8,768,112
Diluted weighted average shares outstanding	8,307,125	8,768,112
Basic loss per share	\$(0.22 )	\$(0.05 )
Diluted loss per share	\$(0.22 )	\$(0.05 )
Comprehensive loss:		
Net loss	(1,846 )	(468 )
Unrealized gain (loss) on available-for-sale securities, net of tax	(70 )	38
Change in foreign currency translation adjustment	22	12
Comprehensive loss	(1,894 )	(418 )

*See accompanying notes*





**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Dollars in thousands, except per share amounts)**