

ACORN ENERGY, INC.  
Form 10-Q  
November 10, 2010

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

Commission file number: 0-19771

ACORN ENERGY, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

22-2786081  
(I.R.S. Employer  
Identification No.)

4 West Rockland Road  
Montchanin, Delaware  
(Address of principal executive offices)

19710  
(Zip Code)

(302) 656-1708  
(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 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

Edgar Filing: ACORN ENERGY, INC. - Form 10-Q

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

Class	Outstanding at November 5, 2010
Common Stock, \$0.01 par value per share	16,116,005 shares

---

ACORN ENERGY, INC.  
 Quarterly Report on Form 10-Q  
 for the Quarterly Period Ended September 30, 2010

TABLE OF CONTENTS

<b>PART I. Financial Information</b>		
<b>Item 1.</b>	<b>Financial Statements</b>	
	<b>Unaudited Condensed Consolidated Financial Statements:</b>	
	Condensed Consolidated Balance Sheets as of December 31, 2009 and September 30, 2010	1
	Condensed Consolidated Statements of Operations for the three and nine month periods ended September 30, 2009 and 2010	2
	Condensed Consolidated Statement of Changes in Equity for the nine month period ended September 30, 2010	3
	Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2009 and 2010	4
	Notes to Condensed Consolidated Financial Statements	6
<b>Item 2.</b>	<b>Management’s Discussion and Analysis of Financial Condition and Results of Operations</b>	<b>23</b>
<b>Item 4.</b>	<b>Controls and Procedures</b>	<b>35</b>
<b>PART II. Other Information</b>		
<b>Item 1.</b>	<b>Legal Proceedings</b>	<b>36</b>
<b>Item 6.</b>	<b>Exhibits</b>	<b>37</b>
<b>Signatures</b>		<b>38</b>

Certain statements contained in this report are forward-looking in nature. These statements are generally identified by the inclusion of phrases such as “we expect”, “we anticipate”, “we believe”, “we estimate” and other phrases of similar meaning. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect our business and operations. Many of these factors are described in our most recent Annual Report on Form 10-K as filed with Securities and Exchange Commission.

ACORN ENERGY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)  
(unaudited)

ASSETS	As of December 31, 2009	As of September 30, 2010
Current assets:		
Cash and cash equivalents	\$ 11,208	\$ 4,966
Restricted deposits	1,627	1,579
Accounts receivable, net	3,541	7,262
Unbilled revenue and work-in-process	4,113	5,901
Inventory	1,848	4,305
Other current assets	2,317	3,236
Total current assets	24,654	27,249
Property and equipment, net	3,357	11,495
Other investments and loans to equity investees	2,796	2,937
Funds in respect of employee termination benefits	2,074	2,330
Restricted deposits	611	713
Intangible assets, net	8,194	13,891
Goodwill	6,679	14,363
Deferred taxes	227	269
Other assets	143	669
Total assets	\$ 48,735	\$ 73,916
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term bank credit and current maturities of long-term bank debt	\$ 430	\$ 1,648
Accounts payable	1,607	3,972
Accrued payroll, payroll taxes and social benefits	1,409	2,104
Advances from customers	1,924	3,625
Other current liabilities	3,064	6,562
Total current liabilities	8,434	17,911
Liability for employee termination benefits	3,129	3,539
Long-term debt	405	319
Other long-term liabilities	669	310
Total long-term liabilities	4,203	4,168
Stockholders' Equity:		
Acorn Energy, Inc. stockholders		
Common stock - \$0.01 par value per share:		
Authorized – 30,000,000 shares; Issued –13,248,813 and 16,917,925 shares at December 31, 2009 and September 30, 2010, respectively	132	169
Additional paid-in capital	58,373	78,270
Warrants	290	274
Accumulated deficit	(23,343)	(33,747)
Treasury stock, at cost –1,275,081 and 801,920 shares at December 31, 2009 and September 30, 2010, respectively	(4,827)	(3,036)
Accumulated other comprehensive income	152	492

Total Acorn Energy, Inc. stockholders' equity	30,777	42,422
Non-controlling interests	5,321	9,415
Total stockholders' equity	36,098	51,837
Total liabilities and stockholders' equity	\$ 48,735	\$ 73,916

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

1

---

ACORN ENERGY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
(IN THOUSANDS, EXCEPT NET LOSS PER SHARE DATA)

	Nine months ended September 30,		Three months ended September 30,	
	2009	2010	2009	2010
Revenues:				
Catalytic regeneration	\$ 12,761	\$ 14,812	\$ 2,824	\$ 5,479
Projects	6,156	8,447	2,154	3,189
Software license and services	3,487	2,758	1,385	1,091
Smart grid distribution products and services	--	1,188	--	671
Other	317	360	100	157
	22,721	27,565	6,463	10,587
Cost of sales:				
Catalytic regeneration	8,592	10,109	2,126	4,563
Projects	3,566	4,632	1,215	1,815
Software license and services	599	531	183	151
Smart grid distribution products and services	--	512	--	321
Other	234	249	78	84
	12,991	16,033	3,602	6,934
Gross profit	9,730	11,532	2,861	3,653
Operating expenses:				
Research and development expenses, net of SRED credits of \$1,016 in the nine months ended September 30, 2009	76	2,428	424	886
Dividends received from EnerTech	--	(135)	--	--
Selling, general and administrative expenses	13,372	21,352	4,565	7,466
Total operating expenses	13,448	23,645	4,989	8,352
Operating loss	(3,718)	(12,113)	(2,128)	(4,699)
Finance income (expense), net	213	(174)	297	131
Gain on investment in GridSense	--	1,327	--	--
Gain on sale of Comverge shares	1,403	--	176	--
Loss before taxes on income	(2,102)	(10,960)	(1,655)	(4,568)
Tax benefit (expense) on income	72	(570)	72	(372)
Loss from operations of the Company and its consolidated subsidiaries	(2,030)	(11,530)	(1,583)	(4,940)
Share in losses of GridSense	(129)	--	--	--
Share in income of Paketeria	263	--	263	--
Net loss	(1,896)	(11,530)	(1,320)	(4,940)
Net (income) loss attributable to non-controlling interests	(48)	688	96	373
Net loss attributable to Acorn Energy Inc.	\$ (1,944)	\$ (10,842)	\$ (1,224)	\$ (4,567)
Basic and diluted earnings per share attributable to Acorn Energy Inc.:				
Net loss per share attributable to Acorn Energy Inc. – basic and diluted	\$ (0.17)	\$ (0.75)	\$ (0.11)	\$ (0.29)
Weighted average number of shares outstanding attributable to				
Acorn Energy Inc. – basic and diluted	11,365	14,475	11,186	15,721

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

ACORN ENERGY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)  
(IN THOUSANDS)

	Acorn Energy, Inc. Stockholders					Total Acorn Energy, Inc.				
	Number of Shares	Common Stock	Additional Paid-In Capital	Warrants	Accumulated Deficit	Treasury Stock	Comprehensive Other Income	Stockholders' Equity	Non-controlling interests	Total Equity
Balances as of December 31, 2009	13,249	\$ 132	\$ 58,373	\$ 290	\$ (23,343)	\$ (4,827)	\$ 152	\$ 30,777	\$ 5,321	\$ 36,098
Net loss	--	--	--	--	(10,842)	--	--	(10,842)	(688)	(11,530)
Differences from translation of subsidiaries' financial statements	--	--	--	--	--	--	340	340	14	354
Comprehensive loss	--	--	--	--	--	--	--	(10,502)	(674)	(11,176)
Issuance by CoaLogix of CoaLogix shares to non-controlling interests (see Note 5)	--	--	587	--	--	--	--	587	2,423	3,010
Shares issued in capital raise, net of transaction costs (see Note 8 (a))	2,232	22	11,445	--	--	--	--	11,467	--	11,467
Shares issued in acquisition of Decision Dynamics (see Note 4(a))	1,000	10	5,630	--	--	--	--	5,640	--	5,640
Shares issued in acquisition of GridSense (see Note 4(b))	356	4	1,863	--	--	--	--	1,867	--	1,867
Non-controlling interests created in USSI consolidation (see Note 4(c))	--	--	--	--	--	--	--	--	3,600	3,600
Adjustment of non-controlling interests	--	--	1,904	--	--	--	--	1,904	(1,904)	--



following  
exercise of USSI  
options (see Note  
4(c)(i))

Issuance of treasury shares in exercise of USSI option (see Note 8(c))	--	--	(2,229)	--	438	1,791	--	--	--	--
Other	--	--	--	--	--	--	--	--	48	48
Stock option compensation	--	--	462	--	--	--	--	462	--	462
Stock option compensation of subsidiaries	--	--	--	--	--	--	--	--	601	601
Exercise of options and warrants	81	1	235	(16)	--	--	--	220	--	220
Balances as of September 30, 2010	16,918	\$ 169	\$ 78,270	\$ 274	\$ (33,747)	\$ (3,036)	\$ 492	\$ 42,422	\$ 9,415	\$ 51,837

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

ACORN ENERGY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(dollars in thousands)

	Nine months ended September 30,	
	2009	2010
Cash flows provided by (used in) operating activities:		
Net loss	\$ (1,896)	\$ (11,530)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,359	1,723
Share in losses of GridSense	129	--
Share in income of Paketeria	(263)	--
Exchange rate adjustment on restricted deposits	(32)	--
Exchange rate adjustment on amounts funded for employee termination benefits net of exchange adjustment on liability for employee termination benefits	11	28
Increase in liability for employee termination benefits	203	316
Stock-based compensation	1,141	1,063
Impairments	80	--
Gain on investment in GridSense	--	(1,327)
Gain on sale of Comverge shares	(1,403)	--
Other	--	33
Change in operating assets and liabilities:		
Increase in accounts receivable, unbilled work-in process, other current and other assets	(1,148)	(4,896)
Increase in inventory	(1,345)	(1,566)
Increase (decrease) in accounts payable, accrued payroll, payroll taxes and social benefits, advances from customers, other current liabilities and other liabilities	(977)	4,239
Net cash used in operating activities	(4,141)	(11,917)
Cash flows provided by (used in) investing activities:		
Proceeds from sale of Comverge shares and covered calls	3,990	--
Investment in EnerTech	(1,000)	(900)
Restricted deposits	(670)	(1,225)
Release of restricted deposits	2,468	1,172
Loan to GridSense prior to acquisition	--	(200)
Amounts funded for employee termination benefits	(159)	(190)
Acquisitions of property and equipment	(983)	(8,401)
Acquisitions of license	--	(82)
Acquisition of USSI, net of cash acquired (See Schedule A)	--	7
Acquisition of Decision Dynamics, net of cash acquired (See Schedule B)	--	1,021

Edgar Filing: ACORN ENERGY, INC. - Form 10-Q

Acquisition of GridSense, net of cash acquired (See Schedule C)	--	(1,352)
Acquisition of OMI (See Schedule D)	--	--
Net cash provided by (used in) investing activities	3,646	(10,150)
Cash flows provided by (used in) financing activities:		
Proceeds from capital raise, net of transaction costs	--	11,467
Issuance of shares to non-controlling interests in consolidated subsidiary	1,991	3,010
Proceeds from option and warrant exercises	97	220
Short-term debt borrowings, net	379	1,161
Repayment of notes payable due to former shareholders of Coreworx	(3,400)	--
Repayments of long-term debt	(4)	(159)
Other	--	50
Purchase of additional shares of DSIT	(294)	--
Purchase of treasury shares	(1,108)	--
Net cash provided by (used in) financing activities	(2,339)	15,749
Effect of exchange rate changes on cash and cash equivalents	(290)	76
Net decrease in cash and cash equivalents	(3,124)	(6,242)
Cash and cash equivalents at beginning of period	15,142	11,208
Cash and cash equivalents at end of period	\$ 12,018	\$ 4,966

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

ACORN ENERGY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(dollars in thousands)

Non-cash items:		
Intangibles acquired by Coreworx in consideration for future royalties	\$	99
Adjustment of additional paid-in-capital and non-controlling interests from investment in CoaLogix by non-controlling interests	\$	445
Adjustment of additional paid-in-capital and non-controlling interests from the exercise of an option by Acorn in USSI		\$ 1,904
Value of Acorn shares issued in the acquisition of Decision Dynamics		\$ 5,640
Value of Acorn shares issued in the acquisition of GridSense		\$ 1,867
Value of treasury shares issued in the exercise of an option to invest in USSI		\$ 2,229

## Schedule A:

Assets/liabilities acquired in the acquisition of USSI:		
Other current assets	\$	(55)
Property and equipment		(56)
Intangibles		(2,565)
Goodwill		(1,402)
Current liabilities		285
Prior year investment in USSI		200
Non-		