

INTERMOLECULAR INC

FORM 8-K (Current report filing)

Filed 08/08/17 for the Period Ending 08/08/17

Address	3011 NORTH FIRST STREET SAN JOSE, CA 95134
Telephone	(408) 582-5700
CIK	0001311241
Symbol	IMI
SIC Code	3674 - Semiconductors and Related Devices
Industry	Semiconductors
Sector	Technology
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 8-K

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

Date of Report (Date of earliest event reported): **August 8, 2017**

Intermolecular, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-35348
(Commission
File Number)

20-1616267
(IRS Employer
Identification No.)

3011 N. First Street
San Jose, California
(Address of Principal Executive Offices)

95134
(Zip Code)

(408) 582-5700
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a - 12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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.

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On August 8, 2017, Intermolecular, Inc. issued a press release announcing its financial results for the second quarter ended June 30, 2017. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information furnished in Item 2.02 of this Form 8-K (including Exhibit 99.1) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except expressly set forth by specific reference in such filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished and not filed:

99.1 Press Release dated August 8, 2017, entitled “Intermolecular Announces Second Quarter 2017 Financial Results”

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTERMOLECULAR, INC.

Date: August 8, 2017

By: /s/ Bill Roeschlein
 Bill Roeschlein
 Chief Financial Officer

Intermolecular Announces Second Quarter 2017 Financial Results

SAN JOSE, Calif., August 8, 2017 -- Intermolecular, Inc. (NASDAQ: IMI) today reported results for its Second Quarter ended June 30, 2017.

Results Highlights:

- Second quarter total revenue of \$8.1 million
- Three new customer contracts signed during the quarter
- Net cash position remains strong at \$27.0 million

“Intermolecular’s new customer engagement activity is succeeding in growing our customer base. We signed three new customer contracts this quarter and we expect to continue to bring in additional customers over the coming quarters,” said Chris Kramer, president and CEO of Intermolecular. “With a growing customer base and a streamlined cost structure, we are increasingly confident that we are positioned for profitable growth going forward.”

Second Quarter Fiscal 2017 Results

Revenue for the second quarter of 2017 was \$8.1 million, down 18% compared to first quarter 2017 revenue of \$9.9 million and down 31% compared to \$11.7 million in the same period a year ago. GAAP net loss for the second quarter was \$(2.9) million, or \$(0.06) per share, compared to a net loss of \$(5.8) million in the first quarter of 2017, or \$(0.12) per share and a net loss of \$(4.0) million, or \$(0.08) per share, in the same period a year ago. Cash and investments were \$27.0 million at the second quarter of 2017, a decrease of \$1.0 million compared with the first quarter of 2017.

Non-GAAP net loss for the second quarter was \$(2.5) million, or \$(0.05) per share compared to a non-GAAP net loss of \$(5.2) million, or \$(0.10) per share, in the prior quarter and \$(3.1) million, or \$(0.06) per share in the same period a year ago.

Adjusted EBITDA loss for the second quarter was \$(1.0) million, compared to an adjusted EBITDA loss of \$(1.9) million in the first quarter of 2017 and an adjusted EBITDA loss of \$(1.2) million in the same period a year ago.

Outlook for Second Half of 2017

The following statements are based on Intermolecular’s current expectations for the second half of the fiscal year ended December 31, 2017. The following statements are forward-looking, and actual results could differ materially depending on market conditions and the factors set forth under “Forward-Looking Statements” below. Intermolecular does not plan to update, nor does it undertake any obligation to update, this outlook in the future.

- Intermolecular projects revenue in the range of \$ 18.0 million to \$ 18.5 million .
- GAAP net loss is projected between \$(4.1) million and \$(4.8) million, or between \$(0.08) to \$(0.10) per share, on approximately 49.6 million shares outstanding
- Non-GAAP net loss, which excludes stock-based compensation expense, is projected between \$(3.5) million and \$(4.2) million, or between \$(0.07) to \$(0.08) per share
- Adjusted EBITDA is projected to be between \$(0.5) million and \$(1.2) million.

Intermolecular reports revenue, cost of revenue, gross margin, operating income (loss), net income (loss) and earnings (loss) per share in accordance with U.S. generally accepted accounting principles (GAAP) and additionally on a non-GAAP basis. A reconciliation of the non-GAAP financial measures with the most directly comparable GAAP measures, as well as a description of the items excluded from the non-GAAP measures, is included in the financial statements portion of this press release. Please refer to “Reconciliation of GAAP to Non-GAAP Financial Measures” and “Reconciliation of GAAP Net Loss to Non-GAAP Net Loss” below.

Conference Call Today

Intermolecular will host a conference call and simultaneous audio-only webcast at 5:00 p.m. Eastern Time/2:00 p.m. Pacific Time today with Chris Kramer, CEO and president, and Bill Roeschlein, chief financial officer, for Intermolecular.

The call can be accessed by dialing (877) 251-1860; international callers should dial (224) 357-2386. Please dial-in ten minutes prior to the scheduled conference call time. The conference ID is 52401943 . A live and archived webcast (audio only) of the call will be available on Intermolecular’s Website at <http://ir.intermolecular.com> for up to 30 days after the call.

About Intermolecular, Inc.

Intermolecular® is the trusted partner for advanced materials innovation. Advanced materials are at the core of innovation in the 21st century for a wide range of industries including semiconductors, consumer electronics, automotive and aerospace. With its substantial materials expertise; accelerated learning and experimentation platform; and information and analytics infrastructure, Intermolecular has a ten-year track record helping leading companies accelerate and de-risk materials innovation.

“Intermolecular” and the Intermolecular logo are registered trademarks; all rights reserved. Learn more at www.intermolecular.com .

Forward-Looking Statements

Statements made in this press release and the earnings call referencing the press release that are not statements of historical fact are forward-looking statements. Forward-looking statements are subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are commonly identified by words such as “would,” “may,” “expects,” “believes,” “plans,” “intends,” “projects” and other terms with similar meaning. Investors are cautioned that the forward-looking statements in this document are based on current beliefs, assumptions and expectations, speak only as of the date of this document and involve risks and uncertainties that could cause actual results to differ materially from current expectations. Such statements are subject to certain known and unknown risks and uncertainties, many of which are difficult to predict and generally beyond Intermolecular’s control, that could cause actual results and other future events to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following, :

our ability to productize our workflows with existing and future customers; expectations regarding our future revenue, cash flow and GAAP and non-GAAP net income or loss; financial condition; the ability of our new business model to generate profits and long-term shareholder returns; the extent to which technology developed in collaboration with our customers will continue to remain on the critical path and have significant value for such customers and us as well as the industry as a whole; and anticipated growth in our current markets through expansion of existing customer programs and the entry into other engagements with new customers. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from expectations, including but not limited to: our ability to execute on our strategy, prove our business model and remain technologically competitive in rapidly evolving industry conditions; commercial acceptance of our HPC platform and methodology as effective R&D tools; our ability to achieve and sustain profitability; the ability of our customers to achieve their announced product roadmaps in a timely manner; the extent to which we are able to successfully extend and expand relationships with existing customers; our ability to manage the growth of our business; the rapid technology changes and volatility of the customers and industries we serve; our potential need for future capital to finance our operations; and other risks described in our most recent annual report on Form 10-K as updated by our quarterly reports on Form 10-Q and other filings with the Securities and Exchange Commission available at www.sec.gov, particularly in the sections titled "Risk Factors." All forward-looking statements are based on management's current estimates, projections and assumptions, and we assume no obligation to update them.

Non-GAAP Financial Measures

To supplement the financial data presented on a GAAP basis, we also disclose certain non-GAAP financial measures, which exclude the effect of stock-based compensation expense. These non-GAAP financial measures are not prepared in accordance with GAAP, do not serve as an alternative to GAAP and may be calculated differently than non-GAAP financial information disclosed by other companies. These results should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. We believe that our non-GAAP financial information provides useful information to management and investors regarding financial and business trends relating to our financial condition and results of operations because the non-GAAP measures exclude charges that management considers to be outside of Intermolecular's core operating results. We believe that the non-GAAP measures of revenue, cost of net revenue, gross profit, gross margin, operating (loss) income, net (loss) income, earnings per share and net (loss) income per share, viewed in combination with our financial results calculated in accordance with GAAP, provide investors with additional perspective and a more meaningful understanding of our ongoing operating performance. In addition, management uses these non-GAAP measures to review and assess financial performance, to determine executive officer incentive compensation and to plan and forecast performance in future periods.

Intermolecular, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except share and per share amounts, Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
Program revenue	\$ 6,480	\$ 10,052	\$ 13,291	\$ 22,013
Licensing and royalty revenue	1,609	1,677	4,742	4,234
Total revenue	8,089	11,729	18,033	26,247
Cost of revenue:				
Cost of program revenue	2,545	4,117	5,242	8,853
Cost of licensing and royalty revenue	2	15	292	75
Total cost of revenue	2,547	4,132	5,534	8,928
Gross profit	5,542	7,597	12,499	17,319
Operating expenses:				
Research and development	5,385	6,924	12,494	13,828
Sales and marketing	931	2,130	2,412	4,074
General and administrative	2,217	2,669	5,225	5,269
Restructuring charges	3	—	1,350	—
Total operating expenses	8,536	11,723	21,481	23,171
Loss from operations	(2,994)	(4,126)	(8,982)	(5,852)
Other income (expense):				
Interest income (expense), net	58	40	113	72
Other income (expense), net	82	99	179	115
Total other income (expense), net	140	139	292	187
Loss before provision for income taxes	(2,854)	(3,987)	(8,690)	(5,665)
Provision for income taxes	—	1	1	4
Net loss	\$ (2,854)	\$ (3,988)	\$ (8,691)	\$ (5,669)
Net loss per share, basic and diluted	\$ (0.06)	\$ (0.08)	\$ (0.18)	\$ (0.11)
Weighted-average number of shares used in computing net loss per share, basic and diluted				
	49,554,701	49,448,325	49,537,074	49,316,859

Intermolecular, Inc.
Condensed Consolidated Balance Sheets
(In thousands, Unaudited)

	As of June 30, 2017	As of December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,499	\$ 5,759
Short-term investments	14,962	20,035
Total cash, cash equivalents and short-term investments	21,461	25,794
Accounts receivable	2,842	5,063
Prepaid expenses and other current assets	1,219	1,397
Total current assets	25,522	32,254
Long-term investments	5,561	1,995
Materials inventory	2,970	3,357
Property and equipment, net	8,629	10,964
Intangible assets, net	3,209	4,001
Other assets	587	597
Total assets	\$ 46,478	\$ 53,168
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,024	\$ 309
Accrued liabilities	1,138	1,451
Accrued compensation and employee benefits	2,167	1,663
Deferred revenue	1,745	1,533
Total current liabilities	6,074	4,956
Other long-term liabilities	3,104	3,216
Total liabilities	9,178	8,172
Stockholders' equity:		
Common stock	50	50
Additional paid-in capital	214,295	213,313
Accumulated other comprehensive loss	(21)	(32)
Accumulated deficit	(177,024)	(168,335)
Total stockholders' equity	37,300	44,996
Total liabilities and stockholders' equity	\$ 46,478	\$ 53,168

Intermolecular, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands, Unaudited)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (8,691)	\$ (5,669)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and accretion	3,597	3,823
Stock-based compensation	978	2,049
Gain on disposal of property and equipment	(7)	(19)
Gain on disposal of intangible assets	(1,239)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	254	404
Materials inventory	373	426
Accounts receivable	2,221	1,343
Accounts payable	743	(211)
Accrued and other liabilities	4	(1,888)
Deferred revenue	211	(137)
Net cash (used in) provided by operating activities	<u>(1,556)</u>	<u>121</u>
Cash flows from investing activities:		
Purchase of investments	(11,897)	(13,262)
Redemption of investments	13,215	18,916
Purchase of property and equipment	(521)	(1,786)
Proceeds from sale of equipment	10	22
Proceeds from sale of intangible assets	1,500	—
Purchased and capitalized intangible assets	—	(45)
Net cash provided by investing activities	<u>2,307</u>	<u>3,845</u>
Cash flows from financing activities:		
Payment of capital leases	(11)	—
Proceeds from exercise of common stock options	—	714
Net cash (used in) provided by financing activities	<u>(11)</u>	<u>714</u>
Net increase in cash and cash equivalents	740	4,680
Cash and cash equivalents at beginning of period	5,759	11,676
Cash and cash equivalents at end of period	<u>\$ 6,499</u>	<u>\$ 16,356</u>

Intermolecular, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts and percentages, Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
GAAP cost of net revenue	\$ 2,547	\$ 4,132	\$ 5,534	\$ 8,928
Stock-based compensation expense (a)	(41)	(101)	(106)	(306)
Non-GAAP cost of net revenue	\$ 2,506	\$ 4,031	\$ 5,428	\$ 8,622
GAAP gross profit	\$ 5,542	\$ 7,597	\$ 12,499	\$ 17,319
Stock-based compensation expense (a)	41	101	106	306
Non-GAAP gross profit	\$ 5,583	\$ 7,698	\$ 12,605	\$ 17,625
As a percentage of net revenue:				
GAAP gross margin	68.5%	64.8%	69.3%	66.0%
Non-GAAP gross margin	69.0%	65.6%	69.9%	67.2%
GAAP operating loss	\$ (2,994)	\$ (4,126)	\$ (8,982)	\$ (5,852)
Stock-based compensation expense (a):				
- Cost of net revenue	41	101	106	306
- Research and development	63	207	245	536
- Sales and marketing	10	247	69	390
- General and administrative	208	373	558	817
Non-GAAP operating loss	\$ (2,672)	\$ (3,198)	\$ (8,004)	\$ (3,803)
GAAP net loss	\$ (2,854)	\$ (3,988)	\$ (8,691)	\$ (5,669)
Stock-based compensation expense (a)	322	928	978	2,049
Non-GAAP net loss	\$ (2,532)	\$ (3,060)	\$ (7,713)	\$ (3,620)
GAAP net loss	\$ (2,854)	\$ (3,988)	\$ (8,691)	\$ (5,669)
Interest income/ (expense), net	58	40	113	72
Provision for taxes	—	1	1	4
Depreciation, amortization, impairments and accretion	1,619	1,852	3,597	3,823
Restructuring charges (b)	3	—	1,350	—
Stock-based compensation expense (a)	322	928	978	2,049
Adjusted EBITDA	\$ (968)	\$ (1,247)	\$ (2,878)	\$ 135
Shares used in computing GAAP basic and diluted earnings per share	49,555	49,448	49,537	49,317
GAAP earnings per share:				
Basic and diluted net loss per share	\$ (0.06)	\$ (0.08)	\$ (0.18)	\$ (0.11)
Shares used in computing Non-GAAP basic and diluted earnings per share	49,555	49,448	49,537	49,317
Non-GAAP earnings per share:				
Basic and diluted net loss per share	\$ (0.05)	\$ (0.06)	\$ (0.16)	\$ (0.07)

(a) Stock-based compensation reflects expense recorded relating to stock-based awards. The Company excludes this item when it evaluates the continuing operational performance of the Company, as management believes this provides it a meaningful understanding of its core operating performance.

(b) Restructuring charges incurred in connection with a reduction in headcount primarily comprised of employee severance and benefit costs.

Intermolecular, Inc.
Second Half 2017 Outlook
Reconciliation of GAAP Net Loss to Non-GAAP Net Loss
(In thousands, except per share amounts, Unaudited)

GAAP net loss range	\$(4,100) - \$(4,800)
Stock-based compensation	\$600 - \$600
Non-GAAP net loss range	<u>\$(3,500) - \$(4,200)</u>
GAAP and Non-GAAP diluted shares	49,600
GAAP net loss per share range	\$(0.08) - \$(0.10)
Non-GAAP net loss per share range	\$(0.07) - \$(0.08)

CONTACT:

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