

CUI Global, Inc.
Form 10-Q
August 14, 2013

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 June 30, 2013

Commission File Number 0-29923

CUI Global, Inc.

(Exact name of registrant as specified in its charter)

Colorado	84-1463284
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

20050 SW 112th Avenue

Tualatin, Oregon 97062

(503) 612-2300.

(Address and Telephone Number of Principal Executive Offices)

Edgar Filing: CUI Global, Inc. - Form 10-Q

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 Website, 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.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check
Smaller reporting company
If a 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

As of August 13, 2013, there were 20,564,163 shares of the Company's common stock outstanding and no shares of preferred stock outstanding.

CUI Global, Inc.

INDEX

	Page
Part I	
Item 1 Financial Statements	3
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Operations (unaudited)	4
Condensed Consolidated Statements of Comprehensive Gain and Loss (unaudited)	5
Condensed Consolidated Statements of Cash Flows (unaudited)	6
Notes to the Condensed Consolidated Financial Statements (unaudited)	8
Accounting Policies	8
Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations	19
Overview	19
Intellectual Property	24
Results of Operations	24
Liquidity and Capital Resources	26
Item 3. Quantitative and Qualitative Disclosure about Market Risk	29
Item 4. Controls and Procedures	29
Part II	
Item 1 Legal Proceedings.	29
Item 1A Risk Factors	30
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 6 Exhibits	30
Signatures	31
Exhibits	

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CUI Global, Inc.

Condensed Consolidated Balance Sheets

	June 30, 2013 (unaudited)	December 31, 2012
Assets:		
Current Assets:		
Cash and cash equivalents	\$28,105,549	\$3,039,840
Trade accounts receivable, net of allowance of \$150,000 and \$130,000, respectively	8,932,614	4,965,926
Inventories, net of allowance of \$603,634 and \$250,000, respectively	6,169,021	4,843,905
Costs in excess of billings	260,072	-
Prepaid expenses and other	1,070,934	378,885
Total current assets	44,538,190	13,228,556
Property and equipment, net	2,693,213	1,016,219
Other assets:		
Investment - equity method	254,118	258,244
Other Intangible assets, net	23,755,391	8,618,524
Deposits and other	-	11,360
Notes receivable, net	485,416	501,422
Debt offering costs, net	6,111	42,778
Goodwill, net	18,174,366	13,046,358
Total other assets	42,675,402	22,478,686
Total assets	\$89,906,805	\$36,723,461
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	\$4,522,990	\$2,496,881
Line of credit	-	459,448
Leases payable, current	88,348	-
Accrued expenses	2,219,296	1,140,743
Accrued compensation	581,909	186,636
Accrued taxes payable	672,901	2,096
Unearned revenue	676,397	371,541
Billings in excess of costs	5,854,993	-
Total current liabilities	14,616,834	4,657,345
Leases payable, net of current portion	33,459	-

Edgar Filing: CUI Global, Inc. - Form 10-Q

Long term note payable, related party	5,303,683	7,303,683
Total long term liabilities	5,337,142	7,303,683
Total liabilities	19,953,976	11,961,028
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.001; 10,000,000 shares authorized	-	-
Common stock, par value \$0.001; 325,000,000 shares authorized; 20,564,163 shares issued and outstanding at June 30, 2013 and 10,883,280 shares issued and outstanding at December 31, 2012	20,564	10,883
Additional paid-in capital	146,368,848	100,947,708
Accumulated deficit	(76,339,136)	(76,171,822)
Accumulated other comprehensive (loss)	(97,447)	(24,336)
Total stockholders' equity	69,952,829	24,762,433
Total liabilities and stockholders' equity	\$89,906,805	\$36,723,461

See accompanying notes to unaudited condensed consolidated financial statements

CUI Global, Inc.

Condensed Consolidated Statements of Operations

(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Revenues:				
Product Sales	\$ 18,138,599	\$ 9,996,133	\$ 28,190,845	\$ 18,459,939
Revenue from freight	12,492	15,625	19,606	21,582
Total revenue	18,151,091	10,011,758	28,210,451	18,481,521
Cost of revenues	11,085,366	6,209,955	17,132,971	11,395,134
Gross profit	7,065,725	3,801,803	11,077,480	7,086,387
Operating expenses				
Selling, general and administrative	6,272,515	3,937,262	10,422,272	7,957,440
Research and development	198,775	176,301	443,465	354,490
Bad debt	47,470	10,000	42,470	-
Impairment of intangible, trademark and trade name V-Infinity	-	278,428	-	278,428
Total operating expenses	6,518,760	4,401,991	10,908,207	8,590,358
Income (loss) from operations	546,965	(600,188)	169,273	(1,503,971)
Other income (expense)				
Other income	56,057	9,735	117,295	34,881
Other expense	(4,961)	(3,481)	(9,906)	(3,696)
Earnings (loss) from equity investment	(6,229)	19,214	(4,126)	39,791
Amortization of debt offering costs	(18,333)	(18,334)	(36,666)	(36,667)
Interest expense	(86,979)	(114,331)	(201,453)	(301,529)
Total other income (expense), net	(60,445)	(107,197)	(134,856)	(267,220)
Income (loss) before taxes	486,520	(707,385)	34,417	(1,771,191)
Provision for taxes	191,742	7,500	201,731	15,456
Consolidated Net Income (loss)	\$ 294,778	\$ (714,885)	\$ (167,314)	\$ (1,786,647)
Basic income (loss) per common share	\$ 0.02	\$ (0.07)	\$ (0.01)	\$ (0.19)
Diluted income (loss) per common share	\$ 0.02	\$ (0.07)	\$ (0.01)	\$ (0.19)
Basic weighted average common shares outstanding	18,835,103	10,551,530	14,881,158	9,495,579
Diluted weighted average common and common equivalents shares outstanding	18,843,674	10,551,530	14,889,630	9,495,579

See accompanying notes to unaudited condensed consolidated financial statements

CUI Global, Inc.

Condensed Consolidated Statements of Comprehensive Gain and Loss

(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Net Income (loss)	\$ 294,778	\$ (714,885) \$ (167,314) \$ (1,786,647
Other comprehensive income (loss)				
Foreign currency translation adjustment	\$ (52,341) \$ 5,825	\$ (73,111) \$ (20,548
Comprehensive Income (loss)	\$ 242,437	\$ (709,060) \$ (240,425) \$ (1,807,195

See accompanying notes to unaudited condensed consolidated financial statements

CUI Global, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For the six months ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (167,314) \$ (1,786,647)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock, options and notes issued for compensation and services	295,541	616,547
Non-cash interest expense, including amortization of debt offering costs	36,666	36,667
Earnings from Equity Investment	4,126	(39,791)
Bad debt expense	42,470	-
Amortization of intangibles	866,403	18,365
Inventory reserve	18,400	15,000
Impairment of intangible, trademark and trade name V-Infinity	-	278,428
Depreciation	327,999	278,484
(Increase) decrease in assets:		
Trade accounts receivable	1,654,312	(66,621)
Inventory	(898,397)	(895,013)
Costs in excess of billings	90,871	-
Prepaid expenses and other current assets	(673,266)	247,567
Deposits and other assets	11,360	68,716
Increase (decrease) in liabilities:		
Accounts payable	456,307	413,235
Accrued expenses	(1,514,443)	30,933
Accrued compensation	124,547	3,520
Accrued taxes payable	(401,223)	(71,011)
Unearned revenue	259,539	100,543
Billings in excess of costs	68,803	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	602,701	(751,078)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid upon acquisition, net of cash received	(17,709,507)	-
Investment in patents	(2,500)	-
Investment in other intangible assets	-	(39,940)
Proceeds from Notes receivable	18,116	25,511
Purchase of property and equipment	(442,086)	(359,562)
NET CASH (USED IN) INVESTING ACTIVITIES	(18,135,977)	(373,991)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (payments to) demand notes payable, net of debt offering costs	(459,448)	(1,528,900)
Payments on leases payable	(3,736)	-
Payments on notes and loans payable	-	(4,000,000)
Payments on notes payable, related party	(2,000,000)	(3,000,000)
Payments on convertible note payable, related party	-	(35,000)
	45,135,280	12,723,515

Edgar Filing: CUI Global, Inc. - Form 10-Q

Proceeds from sales of common stock, and exercise of warrants and options, net of offering costs

NET CASH PROVIDED BY FINANCING ACTIVITIES	42,672,096		4,159,615
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(73,111)	(20,548)
Cash and cash equivalents at beginning of year	3,039,840		176,775
Cash and cash equivalents at end of period	28,105,549		3,190,773
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 25,065,709		\$ 3,013,998

(continued)

CUI Global, Inc.

Condensed Consolidated Statements of Cash Flows (continued)

(unaudited)

	For the six months ended June 30,	
	2013	2012
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ 62,948	\$ 71,467
Interest paid	\$ 201,233	\$ 325,042
Impairment of intangible, trademark and trade name V-Infinity	\$ -	\$ 278,428
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Amortization of debt offering costs	\$ 36,666	\$ 36,667
Common stock issued and issuable for consulting services, compensation and accrued liabilities payable in common stock	\$ 116,161	\$ 530,940

See accompanying notes to unaudited condensed consolidated financial statements

CUI Global, Inc.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

1. BASIS OF PRESENTATION