

GAIAM, INC
Form 10-Q
May 09, 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 AND 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 AND EXCHANGE ACT OF 1934**

Commission File Number 000-27517

GAIAM, INC.

(Exact name of registrant as specified in its charter)

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COLORADO
(State or other jurisdiction of
incorporation or organization)

84-1113527
(I.R.S. Employer
Identification No.)

**833 WEST SOUTH BOULDER ROAD,
LOUISVILLE, COLORADO 80027**

(Address of principal executive offices)

(303) 222-3600

(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 and 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 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 if a smaller reporting company) 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

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 May 6, 2013
Class A Common Stock (\$.0001 par value)	17,340,345
Class B Common Stock (\$.0001 par value)	5,400,000

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements that involve risks and uncertainties. The words anticipate, believe, plan, estimate, expect, strive, future, intend and similar expressions are intended to identify such forward-looking statements. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of certain factors set forth under Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures about Market Risk and elsewhere in this report. Risks and uncertainties that could cause actual results to differ include, without limitation, general economic conditions, competition, loss of key personnel, pricing, brand reputation, consumer trends, acquisitions, new initiatives undertaken by us, security and information systems, legal liability for website content, merchandise supply problems, failure of third parties to provide adequate service, our reliance on centralized customer service, overstocks and merchandise returns, our reliance on a centralized fulfillment center, increases in postage and shipping costs, E-commerce trends, future Internet related taxes, our founder's control of us, fluctuations in quarterly operating results, customer interest in our products, the effect of government regulation and other risks and uncertainties included in our filings with the Securities and Exchange Commission. We caution you that no forward-looking statement is a guarantee of future performance, and you should not place undue reliance on these forward-looking statements which reflect our view only as of the date of this report. We undertake no obligation to update any forward-looking information.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Unaudited Interim Condensed Consolidated Financial Statements

We have prepared our unaudited interim condensed consolidated financial statements included herein pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to these rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In our opinion, the unaudited interim condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly, in all material respects, our consolidated financial position as of March 31, 2013, the interim results of operations for the three months ended March 31, 2013 and 2012, and cash flows for the three months ended March 31, 2013 and 2012. These interim statements have not been audited. The balance sheet as of December 31, 2012 was derived from our audited consolidated financial statements included in our annual report on Form 10-K. The interim condensed consolidated financial statements contained herein should be read in conjunction with our audited financial statements, including the notes thereto, for the year ended December 31, 2012.

Table of Contents**GAIAM, INC.****Condensed consolidated balance sheets**

(in thousands, except share and per share data)	March 31, 2013 (unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash	\$ 7,117	\$ 9,858
Accounts receivable, net	43,691	57,533
Inventory, less allowances	28,588	29,840
Deferred advertising costs	3,832	4,324
Deferred tax assets	7,747	9,129
Receivable from equity method investee	45	64
Advances	15,233	13,197
Other current assets	2,651	2,463
Total current assets	108,904	126,408
Property and equipment, net	23,884	23,998
Media library, net	12,928	13,090
Deferred tax assets	16,051	14,692
Goodwill	10,011	9,405
Other intangibles, net	5,292	5,608
Other assets	682	661
Total assets	\$ 177,752	\$ 193,862
LIABILITIES AND EQUITY		
Current liabilities:		
Line of credit	\$ 8,328	\$ 16,231
Accounts payable	29,029	26,738
Participations payable	16,172	28,046
Accrued liabilities	4,940	3,975
Total current liabilities	58,469	74,990
Commitments and contingencies		
Equity:		
Gaiam, Inc. shareholders' equity:		
Class A common stock, \$.0001 par value, 150,000,000 shares authorized, 17,340,345 and 17,330,464 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	2	2
Class B common stock, \$.0001 par value, 50,000,000 shares authorized, 5,400,000 issued and outstanding at March 31, 2013 and December 31, 2012	1	1
Additional paid-in capital	159,819	159,614
Accumulated other comprehensive income	119	118
Accumulated deficit	(43,937)	(43,661)
Total Gaiam, Inc. shareholders' equity	116,004	116,074
Noncontrolling interest	3,279	2,798
Total equity	119,283	118,872
Total liabilities and equity	\$ 177,752	\$ 193,862

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See accompanying notes to the interim condensed consolidated financial statements.

Table of Contents**GAIAM, INC.****Condensed consolidated statements of operations**

(in thousands, except per share data)	For the Three Months Ended March 31,	
	2013 (unaudited)	2012
Net revenue	\$ 56,633	\$ 47,333
Cost of goods sold	24,428	20,227
Gross profit	32,205	27,106
Expenses:		
Selling and operating	28,229	24,161
Corporate, general and administration	3,825	2,573
Acquisition-related costs		1,667
Total expenses	32,054	28,401
Income (loss) from operations	151	(1,295)
Interest and other income (expense)	(229)	56
Loss from equity method investment		(696)
Loss before income taxes and noncontrolling interest	(78)	(1,935)
Income tax expense (benefit)	144	(637)
Net loss	(222)	(1,298)
Net (income) loss attributable to noncontrolling interest	(54)	79
Net loss attributable to Gaiam, Inc.	\$ (276)	\$ (1,219)
Net loss per share attributable to Gaiam, Inc. common shareholders:		
Basic	\$ (0.01)	\$ (0.05)
Diluted	\$ (0.01)	\$ (0.05)
Weighted-average shares outstanding:		
Basic	22,732	22,698
Diluted	22,732	22,698

See accompanying notes to the interim condensed consolidated financial statements.

Table of Contents**GAIAM, INC.****Condensed consolidated statements of comprehensive loss**

(in thousands, except per share data)	For the Three Months Ended March 31,	
	2013	2012
	(unaudited)	
Net loss	\$ (222)	\$ (1,298)
Other comprehensive income, foreign currency translation, net of tax	2	10
Comprehensive loss	(220)	(1,288)
Less: comprehensive (income) loss attributable to the noncontrolling interest	(55)	74
Comprehensive loss attributable to Gaiam, Inc. shareholders.	\$ (275)	\$ (1,214)

See accompanying notes to the interim condensed consolidated financial statements

Table of Contents**GAIAM, INC.****Condensed consolidated statements of cash flows**

(in thousands)	For the Three Months Ended March 31,	
	2013	2012
	(unaudited)	
Operating activities		
Net loss	\$ (222)	\$ (1,298)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	602	589
Amortization	1,357	1,289
Share-based compensation expense	205	351
Deferred and stock option income tax expense (benefit)	90	(706)
(Gain) loss on translation of foreign currency	42	(36)
Losses from equity method investment		696
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	13,805	7,230
Inventory, net	1,261	(2,188)
Deferred advertising costs	29	(461)
Receivable from equity method investee	19	(904)
Advances	(2,036)	(387)
Other current assets	(204)	(236)
Accounts payable	2,198	(3,684)
Participations payable	(11,437)	(2,057)
Accrued liabilities	492	1,056
Net cash provided by (used in) operating activities	6,201	(746)
Investing activities		
Purchase of property, equipment and media rights	(678)	(608)
Purchase of businesses, net of acquired cash	(321)	(13,400)
Net cash used in investing activities	(999)	(14,008)
Financing activities		
Net borrowings (payments) on line of credit	(7,903)	14,000
Net cash (used in) provided by financing activities	(7,903)	14,000
Effect of exchange rates on cash	(40)	39
Net change in cash		