

KVH INDUSTRIES INC \DE\  
Form 10-Q  
August 10, 2015

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: June 30, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 0-28082

KVH Industries, Inc.  
(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)  
50 Enterprise Center, Middletown, RI 02842  
(Address of Principal Executive Offices) (Zip Code)  
(401) 847-3327  
(Registrant’s Telephone Number, Including Area Code)

05-0420589  
(I.R.S. Employer  
Identification Number)

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 (§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 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  (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.

Date	Class	Outstanding shares
August 5, 2015	Common Stock, par value \$0.01 per share	16,090,930



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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## KVH INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	June 30, 2015 (unaudited)	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$20,466	\$ 25,289
Marketable securities	27,572	24,513
Accounts receivable, net of allowance for doubtful accounts of \$3,202 and \$2,723 as of June 30, 2015 and December 31, 2014, respectively	37,927	39,936
Inventories	19,577	17,424
Prepaid expenses and other assets	4,627	2,953
Current deferred income tax asset	2,787	2,772
Total current assets	112,956	112,887
Property and equipment, less accumulated depreciation of \$43,329 and \$41,486 as of June 30, 2015 and December 31, 2014, respectively	41,716	41,696
Intangible assets, less accumulated amortization of \$8,625 and \$5,864 as of June 30, 2015 and December 31, 2014, respectively	31,184	33,641
Goodwill	38,663	40,454
Other non-current assets	4,233	4,469
Non-current deferred income tax asset	2,697	2,690
Total assets	\$231,449	\$ 235,837
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$9,021	\$ 12,460
Accrued compensation and employee-related expenses	5,606	4,932
Accrued other	12,760	10,963
Accrued product warranty costs	1,759	1,853
Deferred revenue	8,929	7,791
Current portion of long-term debt	6,209	6,188
Liability for uncertain tax positions	3,240	3,500
Total current liabilities	47,524	47,687
Other long-term liabilities	1,425	1,459
Long-term debt, excluding current portion	61,578	64,687
Non-current deferred income tax liability	5,327	5,464
Total liabilities	115,854	119,297
Commitments and contingencies (notes 2, 9 and 11)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 1,000,000 shares; none issued	—	—
Common stock, \$0.01 par value. Authorized 30,000,000 shares; 17,301,858 and 17,152,743 shares issued at June 30, 2015 and December 31, 2014, respectively; and 15,642,867 and 15,493,752 shares outstanding at June 30, 2015 and December 31, 2014, respectively	173	172
Additional paid-in capital	122,772	121,084
Retained earnings	10,496	11,881
Accumulated other comprehensive loss	(4,696	) (3,447 )

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	128,745	129,690
Less: treasury stock at cost, common stock, 1,658,991 shares as of June 30, 2015 and December 31, 2014	(13,150 )	(13,150 )
Total stockholders' equity	115,595	116,540
Total liabilities and stockholders' equity	\$231,449	\$ 235,837

See accompanying Notes to Unaudited Consolidated Financial Statements.

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KVH INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except earnings per share amounts, unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Sales:				
Product	\$ 17,946	\$ 20,998	\$ 33,332	\$ 39,005
Service	26,909	19,924	52,828	38,902
Net sales	44,855	40,922	86,160	77,907
Costs and expenses:				
Costs of product sales	12,017	12,078	22,502	23,410
Costs of service sales	13,693	11,359	26,953	22,419
Research and development	3,482	3,882	7,232	7,549
Sales, marketing and support	8,282	7,677	16,362	15,147
General and administrative	7,639	5,252	15,277	10,402
Total costs and expenses	45,113	40,248	88,326	78,927
(Loss) income from operations	(258	) 674	(2,166	) (1,020