

Edgar Filing: ID SYSTEMS INC - Form 10QSB

ID SYSTEMS INC
Form 10QSB
May 14, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended: March 31, 2002

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: 1-15087

I.D. SYSTEMS, INC.

(Exact name of small business issuer as specified in its charter)

Delaware 22-3270799

(State or other jurisdiction or (I.R.S. Employer
incorporation or organization) Identification No)

One University Plaza, Hackensack, New Jersey 07601

(Address of principal executive offices) (Zip Code)

(201) 670-9000

(Issuer's telephone number)

(Former name, former address and former fiscal year,
if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such
shorter period) that the issuer was required to file such reports, and (2) has
been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDING DURING THE
PRECEDING FIVE YEARS

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Condensed Balance Sheets

	December 31, 2001 -----	March 31, 2001 (Unaudited) -----
Assets		
Cash and cash equivalents	\$ 2,426,000	\$ 6,877,000
Investments	3,039,000	3,620,000
Accounts receivable	234,000	78,000
Inventory	844,000	1,150,000
Prepaid expenses and other current assets	111,000	100,000
	-----	-----
Total current assets	6,654,000	12,545,000
Fixed assets, net	540,000	570,000
Other assets	117,000	110,000
	-----	-----
	\$ 7,311,000	\$ 13,225,000
	=====	=====
Liabilities		
Accounts payable and accrued expenses	\$ 574,000	\$ 840,000
Capital lease obligations	10,000	10,000
Other current liabilities	100,000	100,000
	-----	-----
Total current liabilities	684,000	950,000
Deferred rent	42,000	40,000
Other liabilities	100,000	100,000
	-----	-----
	826,000	1,100,000
	-----	-----
Stockholders' equity		
Preferred Stock; authorized 5,000,000 shares, \$0.01 par value; none issued		
Common Stock, authorized 15,000,000 shares, \$0.01 par value; issued and outstanding 5,866,000 shares and 6,792,000 shares, respectively	59,000	60,000
Additional paid in capital	15,739,000	22,020,000
Treasury stock; 40,178 shares at cost	(113,000)	(110,000)
Accumulated deficit	(9,200,000)	(9,850,000)
	-----	-----
	6,485,000	12,120,000
	-----	-----
	\$ 7,311,000	\$ 13,225,000
	=====	=====

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Condensed Statements of Operations (Unaudited)

	Three months ended March 31,	
	2001	2002
	-----	-----
Revenues	\$ 287,000	\$ 831,000
Cost of Revenues	146,000	375,000
	-----	-----
Gross Profit	141,000	456,000
Selling, general and administrative expenses	771,000	883,000
Research and development expenses	316,000	280,000
	-----	-----
Loss from operations	(946,000)	(707,000)
Interest income	117,000	51,000
Interest expense	(1,000)	(1,000)
	-----	-----
Net loss	\$ (830,000)	\$ (657,000)
	=====	=====
Net loss per share - basic and diluted	\$ (0.14)	\$ (0.10)
	=====	=====
Weighted average common shares outstanding- basic and diluted loss per share	5,821,000	6,444,000
	=====	=====

See accompanying notes

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I.D. Systems, Inc. Condensed Statements of Cash Flows (Unaudited)

	Three months ended March 31,	
	2001	2002
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (830,000)	\$ (657,000)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	41,000	44,000
Deferred rent expense	6,000	6,000

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Changes in:		
Accounts receivable	(260,000)	(552,
Unbilled receivables	129,000	
Inventory	(78,000)	(314,
Prepaid expenses and other assets	36,000	8,
Income taxes payable	(8,000)	
Accounts payable	(426,000)	274,
	-----	-----
Net cash used in operating activities	(1,390,000)	(1,191,
	-----	-----
Cash flows from investing activities:		
Purchase of fixed assets	(4,000)	(74,
Purchases of investments	(3,156,000)	(3,081,
Accrued interest receivable		(44,
Maturities of investments	5,552,000	2,549,
Amortization of (discount) premium on investments	(15,000)	(6,
	-----	-----
Net cash provided by (used in) investing activities	2,377,000	(656,
	-----	-----
Cash flows from financing activities:		
Payment of lease obligations	(3,000)	(3,
Proceeds from exercise of stock options		153,
Net proceeds from private placement		6,145,
	-----	-----
Net cash (used in) provided by financing activities	(3,000)	6,295,
	-----	-----
Net increase in cash and cash equivalents	984,000	4,448,
Cash and cash equivalents - beginning of period	3,085,000	2,426,
	-----	-----
Cash and cash equivalents - end of period	\$ 4,069,000	\$ 6,874,
	=====	=====
Supplemental disclosures of non-cash financing activities		
Treasury shares received as payment for exercise of stock options	\$ 113,000	

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I.D. Systems, Inc.

Notes to Condensed Financial Statements
March 31, 2002

NOTE A - Basis of Reporting

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not

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include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the financial position of I.D. Systems, Inc. (the "Company") as of March 31, 2002, the results of its operations for the three-month periods ended March 31, 2001 and 2002 and cash flows for the three-month periods ended March 31, 2001 and 2002. The results of operations for the three-month period ended March 31, 2002 are not necessarily indicative of the operating results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2001 included in the Company's Annual Report.

NOTE B - Net Income (Loss) Per Share of Common Stock

Basic income (loss) per share is based on the weighted average number of common shares outstanding during each period. Diluted income (loss) per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and warrants and the proceeds thereof were used to purchase outstanding common shares. For the three-month periods ended March 31, 2001 and 2002, the basic and diluted weighted average shares outstanding are the same since the effect from the potential exercise of outstanding stock options would have been anti-dilutive.

NOTE C - Private Placement

In January 2002, the Company sold 821,250 shares of common stock and received net proceeds of \$6,145,000.

Warrants to purchase 107,125 shares of common stock were issued to the placement agent and a finder. The warrants are exercisable for a period of five years, commencing in January 2002, at a price of \$9.58 per share.

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Item 2. Management's Discussion And Analysis

The following discussion and analysis of the financial condition and results of operations of I.D. Systems should be read in conjunction with I.D. Systems' financial statements and notes thereto appearing elsewhere herein.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve a number of risks and uncertainties. The following are among the factors that could cause actual results to differ materially from the forward-looking statements: business conditions and growth in the wireless tracking industries, general economic conditions, lower than expected customer orders or variations in customer order patterns, competitive factors including increased competition, changes in product and service mix, and resource constraints encountered in developing new products. The forward-looking statements contained in this MD&A regarding industry trends, product development and liquidity and future business activities should be considered in light of these factors.

Results of Operations

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The following table sets forth, for the periods indicated, certain operating information expressed as a percentage of revenue:

	Three months ended March 31,	
	2001 -----	2002 -----
Revenues	100.0%	100.0%
Cost of Revenues	50.9 -----	45.1 -----
Gross Profit	49.1	54.9
Selling, general and administrative expenses	268.6	106.3
Research and development expenses	110.1 -----	33.7 -----
Loss from operations	(329.6)	(85.1)
Interest income	40.8	6.0
Interest expense	(0.4) -----	(0.1) -----
Net loss	(289.2)% -----	(79.2)% -----

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Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

REVENUES. Revenues were \$831,000 in the three months ended March 31, 2002 as compared to \$287,000 in the three months ended March 31, 2001. The increase in revenues in the quarter ended March 31, 2002 is due to customers beginning to transition from successful pilot programs of the Company's fleet tracking and management system to larger production-scale orders.

COST OF REVENUES. Cost of revenues were \$375,000 in the three months ended March 31, 2002 as compared to \$146,000 in the three months ended March 31, 2001. As a percentage of revenues, cost of revenues were 45.1% in the three months ended March 31, 2002 as compared to 50.9% in the three months ended March 31, 2001. The decrease in cost of revenues is due to product cost reductions realized from outsourcing and engineering efforts. Gross profit was \$456,000 in the three months ended March 31, 2002 compared to \$141,000 in the three months ended March 31, 2001. As a percentage of revenues, gross profit increased to 54.9% in the three months ended March 31, 2002 from 49.1% in the three months ended March 31, 2001.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$883,000 in the three months ended March 31, 2002 as compared to \$771,000 in the three months ended March 31, 2001. This increase was attributable to increased payroll expenses associated with sales and marketing. As a percentage of revenues, selling, general and administrative expenses decreased to 106.3% in the three months ended March 31, 2002 from 268.6% in the three months ended March 31, 2001.

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RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were \$280,000 in the three months ended March 31, 2002 as compared to \$316,000 in the three months ended March 31, 2001. This decrease was attributable to completing and commercializing the new "universal system" of hardware and software for tracking and managing fleets of industrial vehicles during the first quarter of 2001. As a percentage of revenues, research and development expenses decreased to 33.7% in the three months ended March 31, 2002 as compared to 110.1% in the three months ended March 31, 2001.

INTEREST INCOME AND EXPENSE.

Interest income was \$51,000 in the three months ended March 31, 2002 as compared to \$117,000 in the three months ended March 31, 2001. This decrease was attributable to the reduction of interest rates. The Company invests in commercial paper and corporate bonds, which are classified as held to maturity.

Interest expense was \$1,000 in the three months ended March 31, 2001 and 2002.

NET LOSS. Net loss was \$657,000 in the three months ended March 31, 2002 as compared to a net loss of \$830,000 in the three-month period ended March 31, 2001. This was due primarily to the reasons described above.

Liquidity and Capital Resources

As of March 31, 2002, the Company had \$10,495,000 of cash, cash equivalents and short-term investments and \$11,587,000 of working capital as compared to \$5,465,000 and \$5,970,000, respectively, at December 31, 2001.

Net cash used in operating activities in the three months ended March 31, 2002 was \$1,191,000 as compared to net cash used in operating activities of \$1,390,000 for the three months ended March 31, 2001. Net cash used in operating activities in the three months ended March 31, 2002 was due to a net loss of \$657,000, an increase in accounts receivable of \$552,000 and an increase in inventory of \$314,000, offset by a decrease in accounts payable and accrued expenses of \$274,000. Net cash used in operating activities in the three months ended March 31, 2001 was primarily due to a net loss of \$830,000, an increase in accounts receivable of \$260,000, and a decrease in accounts payable of \$426,000, partially offset by a decrease in unbilled receivables of \$129,000.

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Net cash used in investing activities for the three months ended March 31, 2002 was \$656,000 as compared to net cash provided by investing activities for the three months ended March 31, 2001 of \$2,377,000. The cash used in investing activities in the three months ended March 31, 2002 was for the purchases of investments of \$3,081,000 and the purchases of fixed assets of \$74,000, offset by maturities of investments of \$2,549,000. The cash provided by investing activities in the three months ended March 31, 2001 was from maturities of short-term investments of \$5,552,000, primarily offset by purchases of investments of \$3,156,000.

Net cash provided by financing activities for the three months ended March 31, 2002 was \$6,295,000 as compared to net cash used in financing activities of \$3,000 in the three months ended March 31, 2001. The net cash provided by financing activities in the three months ended March 31, 2002 was from the proceeds of \$6,145,000 received in connection with the sale of 821,250 shares of common stock and \$153,000 received from proceeds from exercise of stock options, offset by \$3,000 for payment of lease obligations. The net cash used in

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financing activities of \$3,000 for the three months ended March 31, 2001 was for payment of lease obligations.

The Company believes its operations have not been and, in the foreseeable future, will not be materially adversely affected by inflation or changing prices.

Recently Issued Financial Standards

The Company believes that recently issued financial standards will not have a significant impact on our results of operations, financial position or cash flows.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

There were no reports on Form 8-K filed during the quarter ended March 31, 2002.

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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 thereunto duly authorized.

I.D. Systems, Inc.

Dated: May 10, 2002

By: /s/ Jeffrey M. Jagid

Jeffrey M. Jagid
Chief Executive Officer
(Principal Executive Officer)

Dated: May 10, 2002

By: /s/ Ned Mavrommatis

Ned Mavrommatis
Chief Financial Officer
(Principal Accounting Officer)

