

GAIAM, INC  
Form 10-Q  
August 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 June 30, 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 August 6, 2013
Class A Common Stock (\$.0001 par value)	17,346,287
Class B Common Stock (\$.0001 par value)	5,400,000

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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.

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**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 June 30, 2013, the interim results of operations for the three and six months ended June 30, 2013 and 2012, and cash flows for the six months ended June 30, 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)	June 30, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash	\$ 17,482	\$ 9,858
Accounts receivable, net	38,889	57,533
Inventory, less allowances	31,881	29,840
Deferred advertising costs	4,343	4,324
Deferred tax assets	8,002	9,129
Receivable from related party	2	64
Advances	15,816	13,197
Other current assets	3,329	2,463
<b>Total current assets</b>	<b>119,744</b>	<b>126,408</b>
Property and equipment, net	24,095	23,998
Media library, net	12,972	13,090
Deferred tax assets	11,530	14,692
Goodwill	10,011	9,405
Other intangibles, net	4,740	5,608
Other assets	741	661
<b>Total assets</b>	<b>\$ 183,833</b>	<b>\$ 193,862</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Line of credit	\$ 11,972	\$ 16,231
Accounts payable	22,600	26,738
Participations payable	17,768	28,046
Accrued liabilities	4,226	3,975
<b>Total current liabilities</b>	<b>56,566</b>	<b>74,990</b>
Commitments and contingencies		
Equity:		
Gaiam, Inc. shareholders' equity:		
Class A common stock, \$.0001 par value, 150,000,000 shares authorized, 17,346,287 and 17,330,464 shares issued and outstanding at June 30, 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 June 30, 2013 and December 31, 2012	1	1
Additional paid-in capital	159,991	159,614
Accumulated other comprehensive income	30	118
Accumulated deficit	(36,089)	(43,661)
<b>Total Gaiam, Inc. shareholders' equity</b>	<b>123,935</b>	<b>116,074</b>
Noncontrolling interest	3,332	2,798
<b>Total equity</b>	<b>127,267</b>	<b>118,872</b>
<b>Total liabilities and equity</b>	<b>\$ 183,833</b>	<b>\$ 193,862</b>

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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 June 30,		For the Six Months Ended June 30,	
	2013 (unaudited)	2012	2013 (unaudited)	2012
Net revenue	\$ 44,544	\$ 45,446	\$ 101,177	\$ 92,779
Cost of goods sold	20,909	17,435	45,337	37,662
Gross profit	23,635	28,011	55,840	55,117
Expenses:				
Selling and operating	24,294	26,896	52,523	51,057
Corporate, general and administration	3,227	3,081	7,052	5,654
Acquisition-related costs				1,667
Total expenses	27,521	29,977	59,575	58,378
Loss from operations	(3,886)	(1,966)	(3,735)	(3,261)
Interest and other expense, net	(52)	(123)	(281)	(67)
Gain on sale of investment	16,429		16,429	
Loss from equity method investment		(944)		(1,640)
Income (loss) before income taxes and noncontrolling interest	12,491	(3,033)	12,413	(4,968)
Income tax expense (benefit)	4,508	(924)	4,652	(1,561)
Net income (loss)	7,983	(2,109)	7,761	(3,407)
Net (income) loss attributable to noncontrolling interest	(135)	56	(189)	135
Net income (loss) attributable to Gaiam, Inc.	\$ 7,848	\$ (2,053)	\$ 7,572	\$ (3,272)
Net income (loss) per share attributable to Gaiam, Inc. common shareholders:				
Basic	\$ 0.35	\$ (0.09)	\$ 0.33	\$ (0.14)
Diluted	\$ 0.35	\$ (0.09)	\$ 0.33	\$ (0.14)
Weighted-average shares outstanding:				
Basic	22,741	22,702	22,736	22,700
Diluted	22,741	22,702	22,736	22,700

See accompanying Notes to the interim condensed consolidated financial statements.

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

(in thousands, except per share data)	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(unaudited)		(unaudited)	
Net income (loss)	\$ 7,983	\$ (2,109)	\$ 7,761	\$ (3,407)
Other comprehensive loss, foreign currency translation, net of tax	(171)	(14)	(169)	(4)
Comprehensive income (loss)	7,812	(2,123)	7,592	(3,411)
Less: comprehensive income (loss) attributable to the noncontrolling interest	53	(63)	108	(137)
Comprehensive income (loss) attributable to Gaiam, Inc. shareholders	\$ 7,759	\$ (2,060)	\$	