

INTRUSION INC
Form 10-Q
November 13, 2018

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 September 30, 2018

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 0-20191

INTRUSION INC.

(Exact name of registrant as specified in its charter)

Delaware 75-1911917
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1101 East Arapaho Road, Suite 200, Richardson, Texas 75081

Edgar Filing: INTRUSION INC - Form 10-Q

(Address of principal executive offices)

(Zip Code)

(972) 234-6400

(Registrant’s telephone number, including area code)

Not Applicable

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

* * * * *

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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

The number of shares outstanding of the Registrant's Common Stock, \$0.01 par value, on November 1, 2018 was 13,120,336.

1

INTRUSION INC.

INDEX

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Unaudited Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017 3

Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017 4

Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 5

Notes to Unaudited Condensed Consolidated Financial Statements 6

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations 9

Item 4. Controls and Procedures 12

PART II – OTHER INFORMATION

Item 1. Legal Proceedings 13

Item 1A. Risk Factors 13

Item 6. Exhibits 15

Signature Page 16

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INTRUSION INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 853	\$ 224
Accounts receivable	1,117	962
Inventories	—	15
Prepaid expenses	209	89
Total current assets	2,179	1,290
Property and equipment, net	290	124
Other assets	38	38
TOTAL ASSETS	\$ 2,507	\$ 1,452
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,367	\$ 1,182
Dividends payable	557	447
Obligations under capital lease, current portion	52	44
Deferred revenue	619	406
Total current liabilities	2,595	2,079
Loan payable to officer	1,815	2,865
Obligations under capital lease, noncurrent portion	47	17
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$0.01 par value: Authorized shares – 5,000		

Edgar Filing: INTRUSION INC - Form 10-Q

Series 1 shares issued and outstanding — 200 Liquidation preference of \$1,200 in 2018 and \$1,163 in 2017	707	707
Series 2 shares issued and outstanding — 460 Liquidation preference of \$1,371 in 2018 and \$1,328 in 2017	724	724
Series 3 shares issued and outstanding — 289 Liquidation preference of \$752 in 2018 and \$728 in 2017	412	412
Common stock, \$0.01 par value:		
Authorized shares — 80,000		
Issued shares — 13,130 in 2018 and 12,808 in 2017 Outstanding shares — 13,120 in 2018 and 12,798 in 2017	131	128
Common stock held in treasury, at cost – 10 shares	(362)	(362)
Additional paid-in capital	56,572	56,518
Accumulated deficit	(60,092)	(61,529)
Accumulated other comprehensive loss	(42)	(107)
Total stockholders' deficit	(1,950)	(3,509)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 2,507	\$ 1,452

See accompanying notes.

INTRUSION INC. AND SUBSIDIARIES**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	\$2,665	\$ 1,678	\$7,296	\$ 4,780
Cost of revenue	967	736	2,744	1,951
Gross profit	1,698	942	4,552	2,829
Operating expenses:				
Sales and marketing	466	394	1,311	1,169
Research and development	329	617	832	1,797
General and administrative	243	242	828	855
Operating income (loss)	660	(311)	1,581	(992)
Other income	—	928	—	928
Interest expense, net	(43)	(49)	(144)	(157)
Net income (loss)	\$617	\$ 568	\$1,437	\$ (221)
Preferred stock dividends accrued	(35)	(35)	(104)	(104)
Net income (loss) attributable to common stockholders	\$582	\$ 533	\$1,333	\$ (325)