

Edgar Filing: ID SYSTEMS INC - Form 10QSB

ID SYSTEMS INC  
Form 10QSB  
May 14, 2001

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, 2001  
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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  
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I.D. SYSTEMS, INC.  
-----

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

DELAWARE  
-----

22-3270799  
-----

(State or other jurisdiction or incorporation or organization) (I.R.S. Employer Identification)

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

Check whether the issuer filed all documents and reports required to be

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filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes

No

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APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of the Registrant's Common Stock, \$0.01 par value, as of the close of business on May 1, 2001 was 5,835,625.

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I.D. SYSTEMS, INC.

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### PART I - FINANCIAL INFORMATION

#### ITEM 1. CONDENSED FINANCIAL STATEMENTS

I.D. SYSTEMS, INC.  
CONDENSED BALANCE SHEETS

	DECEMBER 31, 2000	MARCO (UN
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 3,085,000	

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Investments	5,588,000	
Accounts receivable (net of allowance of \$48,000)	297,000	
Unbilled receivables	349,000	
Inventory	748,000	
Income taxes receivable	111,000	
Prepaid expenses and other assets	125,000	
	-----	-----
Total current assets	10,303,000	
Fixed assets, net	632,000	
Other assets	146,000	
	-----	-----
	\$ 11,081,000	=====
	=====	=====
LIABILITIES		
Accounts payable	\$ 699,000	
Capital lease obligations	14,000	
Income taxes payable	8,000	
	-----	-----
Total current liabilities	721,000	
Capital lease obligations	18,000	
Deferred rent	19,000	
	-----	-----
	758,000	-----
	-----	-----
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 5,720,000 shares and 5,835,000 shares, respectively	57,000	
Additional paid in capital	15,558,000	
Accumulated deficit	(5,292,000)	
Treasury stock; 40,178 shares at cost		
	-----	-----
	10,323,000	
	-----	-----
	\$ 11,081,000	=====
	=====	=====

SEE ACCOMPANYING NOTES.

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I.D. SYSTEMS, INC.  
CONDENSED STATEMENTS OF OPERATIONS  
(Unaudited)

	THREE MONTHS ENDED	
	MARCH 31,	
	2000	2001
	-----	-----
Revenues	\$ 306,000	\$ 287,000
Cost of Revenues	149,000	146,000
	-----	-----

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Gross Profit	157,000	141,000
Selling, general and administrative expenses	584,000	771,000
Research and development expenses	296,000	316,000
	-----	-----
Loss from operations	(723,000)	(946,000)
Interest income	181,000	117,000
Interest expense	(1,000)	(1,000)
	-----	-----
NET LOSS	\$ (543,000)	\$ (830,000)
	=====	=====
NET LOSS PER SHARE - BASIC AND DILUTED	\$ (0.09)	\$ (0.14)
	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING- BASIC AND DILUTED LOSS PER SHARE	5,720,000	5,821,000
	=====	=====

SEE ACCOMPANYING NOTES

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I.D. SYSTEMS, INC.  
CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	2000	2001
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (543,000)	\$ (830,000)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	23,000	4,000
Deferred taxes	6,000	
Deferred rent expense		
Changes in:		
Accounts receivable	700,000	(260,000)
Unbilled receivables	83,000	12,000
Inventory	(166,000)	(78,000)
Prepaid expenses and other assets	86,000	3,000
Income taxes payable	(6,000)	(8,000)
Accounts payable	(275,000)	(426,000)
	-----	-----
Net cash used in operating activities	(92,000)	(1,390,000)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(247,000)	(4,000)
Investments maturities	5,563,000	2,380,000
	-----	-----
Net cash provided by investing activities	5,316,000	2,376,000

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CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligations	(4,000)	(3)
Proceeds from exercise of stock options	4,000	
Net cash used in financing activities		(3)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,224,000	98
Cash and cash equivalents - beginning of period	7,021,000	3,08
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$12,245,000	\$4,06
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES		
Treasury shares received as payment for exercise of stock options		\$ 11

SEE ACCOMPANYING NOTES.

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I.D. SYSTEMS, INC.

Notes to Condensed Financial Statements

March 31, 2001

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 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, 2001, the results of its operations for the three-month periods ended March 31, 2000 and 2001 and cash flows for the three-month periods ended March 31, 2000 and 2001. The results of operations for the three-month period ended March 31, 2001 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, 2000 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, 2000 and 2001 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.

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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.

The Company was incorporated in August 1993 and began to derive revenues from its initial line of products in March 1995. Revenues are generated from design and engineering fees as well as sales of its system. The Company's revenues to date have been derived from designing, developing and customizing the Company's system to each individual customer. The Company intends to generate additional revenues by selling software and hardware upgrades as well as on-going maintenance and support contracts to its existing customers.

### RESULTS OF OPERATIONS

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

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	THREE MONTHS ENDED	
	MARCH 31,	
	2000	2001
	-----	-----
Revenues	100.0%	100.0%
Cost of Revenues	48.7	50.9
	-----	-----
Gross Profit	51.3	49.1
Selling, general and administrative expenses	190.8	268.6
Research and development expenses	96.7	110.1
	-----	-----
Loss from operations	(236.2)	(329.6)
Net interest (expense) income	58.8	40.4
	-----	-----
NET LOSS	(177.4)%	(289.2)%
	-----	-----

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THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

REVENUES. Revenues were \$287,000 in the three months ended March 31, 2001 as compared to \$306,000 in the three months ended March 31, 2000. Revenues in the quarter ended March 31, 2001 were derived from the delivery and implementation of the Company's fleet tracking and management system pursuant to a number of pilot programs.

COST OF REVENUES. Cost of revenues were \$146,000 in the three months ended March 31, 2001 as compared to \$149,000 in the three months ended March 31, 2000. As a percentage of revenues, cost of revenues were 50.9% in the three months ended March 31, 2001 as compared to 48.7% in the three months ended March 31, 2000. Gross profit was \$141,000 in the three months ended March 31, 2001 compared to \$157,000 in the three months ended March 31, 2000. As a percentage of revenues, gross profit decreased to 49.1% in the three months ended March 31, 2001 from 51.3% in the three months ended March 31, 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$771,000 in the three months ended March 31, 2001 as compared to \$584,000 in the three months ended March 31, 2000. This increase was attributable to increased payroll expenses and additional costs related to the Company's new facility. As a percentage of revenues, selling, general and administrative expenses increased to 268.6% in the three months ended March 31, 2001 from 190.8% in the three months ended March 31, 2000.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were \$316,000 in the three months ended March 31, 2001 as compared to \$296,000 in the three months ended March 31, 2000. As a percentage of revenues, research and development expenses were 110.1% in the three months ended March 31, 2001 as compared to 96.7% in the three months ended March 31, 2000. Research and development efforts were directed towards the reduction of the cost and size of the Company's system and further development of the Company's "universal" system which allows for widespread use of the Company's hardware and software.

INTEREST INCOME AND EXPENSE. Interest income was \$117,000 in the three months ended March 31, 2001 as compared to \$181,000 in the three months ended March 31, 2000. This decrease was attributable to larger average cash, cash equivalents and short-term investment balances in the three months ended March 31, 2000 as compared to the three months ended March 31, 2001.

Interest expense was \$1,000 in the three months ended March 31, 2001 and 2000.

NET LOSS. Net loss was \$830,000 in the three months ended March 31, 2001 as compared to net loss of \$543,000 in the three-month period ended March 31, 2000. This was due primarily to the reasons described above.

### LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2001, the Company had \$7,276,000 of cash, cash equivalents and short-term investments and \$8,807,000 of working capital as compared to \$8,673,000 and \$9,582,000, respectively, at December 31, 2000.

Net cash used in operating activities was \$1,390,000 for the three months ended March 31, 2001 as compared to net cash used in operating activities of \$92,000 for the three months ended March 31, 2000. Net cash used in operating activities in the three months ended March 31, 2001 was primarily due to the 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. Net cash used in operating activities in the three months ended March 31, 2000 was primarily due to the net loss of \$543,000, an increase in inventory of \$166,000 and a decrease in accounts payable of \$275,000, offset by a decrease in accounts and unbilled receivables of \$783,000 and a decrease of prepaid expenses and other assets of \$86,000.

Net cash provided by investing activities for the three months ended March 31, 2001 was \$2,377,000 as compared to cash provided by investing activities of \$5,316,000 for the three months ended March 31, 2000. The cash provided by investing activities in the three months ended March 31, 2001 was from maturities of short-term investments of \$2,381,000. The cash provided by investing activities for the three months ended March 31, 2000 was from maturities of short-term investments of \$5,563,000 offset by use of cash of \$247,000 for the purchase of fixed assets.

The net cash used in 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, 2001.

#### 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.



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Dated: May \_\_\_\_\_, 2001

By: \_\_\_\_\_  
/s/ Jeffrey M. Jagid  
Jeffrey M. Jagid  
Chief Executive Officer  
(Principal Executive Officer)

Dated: May \_\_\_\_\_, 2001

By: \_\_\_\_\_  
/s/ Ned Mavrommatis  
Ned Mavrommatis  
Chief Financial Officer  
(Principal Accounting Officer)

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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 14, 2001  
-----

By: \_\_\_\_\_  
/s/ Jeffrey M. Jagid  
Jeffrey M. Jagid  
Chief Executive Officer  
(Principal Executive Officer)

Dated: May 14, 2001  
-----

By: \_\_\_\_\_  
/s/ Ned Mavrommatis  
Ned Mavrommatis  
Chief Financial Officer  
(Principal Accounting Officer)

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