

MusclePharm Corp
Form 10-Q
August 14, 2018

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 EXCHANGE ACT OF
1934
For the quarterly period ended: June 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: 000-53166

MusclePharm Corporation
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

77-0664193
(I.R.S. Employer
Identification No.)

4400 Vanowen St.
Burbank, CA
(Address of principal executive offices)

91505
(Zip code)

(800) 292-3909
(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 Exchange Act of 1934 during the past 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

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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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Number of shares of the registrant’s common stock outstanding at July 1, 2018: 15,064,667, excluding 875,621 shares of common stock held in treasury.

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Forward-Looking Statements

Except as otherwise indicated herein, the terms “Company,” “we,” “our” and “us” refer to MusclePharm Corporation and its subsidiaries. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, including our future profits, financing sources and our ability to satisfy our liabilities, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Item 1A, “Risk Factors” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on April 2, 2018. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

MusclePharm Corporation

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

	June 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$2,442	\$6,228
Accounts receivable, net of allowance for doubtful accounts of \$1,556 and \$1,363, respectively	16,278	16,668
Inventory	7,651	6,484
Prepaid expenses and other current assets	1,140	1,082
Total current assets	27,511	30,462
Property and equipment, net	1,491	1,822
Intangible assets, net	1,157	1,317
Other assets	238	225
TOTAL ASSETS	\$30,397	\$33,826
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$16,562	\$11,742
Accrued liabilities	5,700	7,761
Accrued restructuring charges, current	564	595
Obligation under secured borrowing arrangement	2,787	5,385
Line of credit	2,000	3,000
Total current liabilities	27,613	28,483
Convertible note with a related party, net of discount	17,071	16,669
Accrued restructuring charges, long-term	80	120
Other long-term liabilities	1,248	1,088
Total liabilities	46,012	46,360
Commitments and contingencies (Note 8)		
Stockholders' deficit:		
Common stock, par value of \$0.001 per share; 100,000,000 shares authorized 15,940,288 and 15,526,175 shares issued as of June 30, 2018 and December 31, 2017, respectively; 15,064,667 and 14,650,554 shares outstanding as of June 30, 2018 and December 31, 2017, respectively	15	14
Additional paid-in capital	159,918	159,608

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Treasury stock, at cost; 875,621 shares	(10,039)	(10,039)
Accumulated other comprehensive loss	(165)	(150)
Accumulated deficit	(165,344)	(161,967)
TOTAL STOCKHOLDERS' DEFICIT	(15,615)	(12,534)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$30,397	\$33,826

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

MusclePharm Corporation
 Condensed Consolidated Statements of Operations
 (In thousands, except share and per share data)
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue, net	\$27,104	\$26,192	\$53,651	\$52,201
Cost of revenue	18,952	18,576	37,280	38,115
Gross profit	8,152	7,616	16,371	14,086