

Cinedigm Corp.
Form 10-Q
November 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the fiscal period ended: September 30, 2014

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from --- to ---

Commission File Number: 000-31810

Cinedigm Corp.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

22-3720962
(I.R.S. Employer Identification No.)

902 Broadway, 9th Floor New York, NY
(Address of principal executive offices)
(212) 206-8600
(Registrant's telephone number, including area code)

10010
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
CLASS A COMMON STOCK, PAR VALUE \$0.001 PER
SHARE

Name of each exchange on which registered
NASDAQ GLOBAL MARKET

Securities registered pursuant to Section 12(g) of the Act:

NONE

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

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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 the 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 Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of November 10, 2014, 76,869,723 shares of Class A Common Stock, \$0.001 par value were outstanding.

CINEDIGM CORP.
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PART I - FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

CINEDIGM CORP.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except for share and per share data)

	September 30, 2014	March 31, 2014
ASSETS	(Unaudited)	
Current assets		
Cash and cash equivalents	\$ 29,746	\$ 50,215
Accounts receivable, net	74,560	56,863
Inventory	3,185	3,164
Unbilled revenue	3,535	5,144
Prepaid and other current assets	18,635	8,698
Note receivable, current portion	103	112
Assets of discontinued operations, net of current liabilities	—	278
Total current assets	129,764	124,474
Restricted cash	6,751	6,751
Security deposits	346	269
Property and equipment, net	116,362	134,936
Intangible assets, net	34,295	37,639
Goodwill	32,701	25,494
Deferred costs, net	8,218	9,279
Accounts receivable, long-term	1,288	1,397
Note receivable, net of current portion	59	99
Assets of discontinued operations, net of current portion	—	5,660
Total assets	\$ 329,784	\$ 345,998

See accompanying notes to Condensed Consolidated Financial Statements

CINEDIGM CORP.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except for share and per share data)
 (continued)

	September 30, 2014 (Unaudited)	March 31, 2014
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 98,012	\$ 72,604
Current portion of notes payable, non-recourse	33,442	33,825
Current portion of notes payable	19,994	19,219
Current portion of capital leases	587	614
Current portion of deferred revenue	3,145	3,214
Total current liabilities	155,180	129,476
Notes payable, non-recourse, net of current portion	145,611	164,779
Notes payable, net of current portion	19,292	23,525
Capital leases, net of current portion	5,201	5,472
Deferred revenue, net of current portion	11,278	12,519
Total liabilities	336,562	335,771
Commitments and contingencies (see Note 6)		
Stockholders' (Deficit) Equity		
Preferred stock, 15,000,000 shares authorized;		
Series A 10% - \$0.001 par value per share; 20 shares authorized; 7 shares issued and outstanding at September 30, 2014 and March 31, 2014, respectively. Liquidation preference of \$3,648	3,559	3,559
Class A common stock, \$0.001 par value per share; 210,000,000 and 118,759,000 shares authorized; 76,839,407 and 76,571,972 shares issued and 76,787,967 and 76,520,532 shares outstanding at September 30, 2014 and March 31, 2014, respectively		
Class B common stock, \$0.001 par value per share; 1,241,000 shares authorized; 1,241,000 shares issued and 0 shares outstanding, at September 30, 2014 and March 31, 2014, respectively	77	76
Additional paid-in capital	—	—
Treasury stock, at cost; 51,440 Class A shares	276,696	275,519
Accumulated deficit	(172)	(172)
Accumulated other comprehensive loss	(286,871)	(268,686)
Total stockholders' (deficit) equity	(67)	(69)
Total liabilities and stockholders' (deficit) equity	(6,778)	10,227
	\$ 329,784	\$ 345,998

See accompanying notes to Condensed Consolidated Financial Statements

CINEDIGM CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except for share and per share data)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2014	2013	2014	2013
Revenues	\$ 23,721	\$ 19,242	\$ 46,578	\$ 37,779
Costs and expenses:				
Direct operating (exclusive of depreciation and amortization shown below)	3,311	4,753	11,815	8,532
Selling, general and administrative	8,304	4,104	16,013	10,308
Provision for doubtful accounts	78	132	172	194
Transition and acquisition expenses	817	—	1,763	—
Depreciation and amortization of property and equipment	9,391	9,212	18,767	18,457
Amortization of intangible assets	1,464	409	3,349	827
Total operating expenses	23,365	18,610	51,879	38,318
Income (loss) from operations	356	632	(5,301)	(539)
Interest expense, net	(4,993)	(4,532)	(10,028)	(9,456)
Loss on investment in non-consolidated entity	—	(560)	—	(1,812)
Other (expense) income, net	(39)	113	100	247
Change in fair value of interest rate derivatives	84	(71)	(175)	758
Loss from continuing operations	(4,592)	(4,418)	(15,404)	(10,802)
Income (loss) from discontinued operations	293	(749)	442	(1,353)
Loss on sale of discontinued operations	(3,045)	—	(3,045)	—
Net loss	(7,344)	(5,167)	(18,007)	(12,155)
Preferred stock dividends	(89)	(89)	(178)	(178)
Net loss attributable to common stockholders	\$(7,433)	\$(5,256)	\$(18,185)	\$(12,333)
Net loss per Class A and Class B common share attributable to common shareholders - basic and diluted:				
Loss from continuing operations	\$(0.06)	\$(0.09)	\$(0.20)	\$(0.22)
Loss from discontinued operations	(0.04)	(0.01)	(0.03)	(0.02)
	\$(0.10)	\$(0.10)	\$(0.23)	\$(0.24)
Weighted average number of Class A and Class B common shares outstanding: basic and diluted	76,748,753	52,920,060	76,569,162	50,651,007

See accompanying notes to Condensed Consolidated Financial Statements

CINEDIGM CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2014	2013	2014	2013
Net loss	\$ (7,344)	\$ (5,167)	\$ (18,007)	\$ (12,155)
Other comprehensive (loss) income: foreign exchange translation	(54)	—	2	—
Comprehensive loss	\$ (7,398)	\$ (5,167)	\$ (18,005)	\$ (12,155)

See accompanying notes to Condensed Consolidated Financial Statements

CINEDIGM CORP.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)

	For the Six Months Ended September	
	30,	
	2014	2013
Cash flows from operating activities		
Net loss	\$(18,007	) \$(12,155
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on disposal of business	3,045	—
Depreciation and amortization of property and equipment and amortization of intangible assets	22,116	19,492
Amortization of capitalized software costs	—	736
Amortization of debt issuance costs	886	566
Provision for doubtful accounts	172	194
Provision for inventory reserve	900	—
Stock-based compensation and expenses	1,073	1,277
Change in fair value of contingent consideration for business combination	—	(1,500
)
Change in fair value of interest rate derivatives	175	(758
)
Accretion and PIK interest expense added to note payable	1,222	1,076
Loss on investment in non-consolidated entity	—	1,812
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(17,743	) (5,101
)
Inventory	(921) —
Unbilled revenue	2,072	5,178
Prepaid expenses and other current assets	(9,077	) (1,719
)
Other assets	224	(358
)
Accounts payable and accrued expenses	18,018	9,119
Deferred revenue	(1,257	) (936
)
Other liabilities	(351	) 37
Net cash provided by operating activities	2,547	16,960
Cash flows from investing activities:		
Net proceeds from disposal of business	2,950	—
Purchases of property and equipment	(620	) (618
)
Purchases of intangible assets	(6) —
Additions to capitalized software costs	(855	) (1,162
)
Net cash provided by (used in) investing activities	1,469	(1,780
)
Cash flows from financing activities:		
Repayment of notes payable	(29,115	) (21,519
)
Borrowings under revolving credit facility	5,000	—
Principal payments on capital leases	(298	) (66
)
Proceeds from issuance of Class A common stock	—	5,520
Costs associated with issuance of Class A common stock	(72	) (174
)
Net cash used in financing activities	(24,485	) (16,239
)
Net change in cash and cash equivalents	(20,469)