

Genie Energy Ltd.
Form 10-Q
November 10, 2014

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, 2014

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

Commission File Number: 1-35327

GENIE ENERGY LTD.

(Exact Name of Registrant as Specified in its Charter)

**Delaware
(State or other jurisdiction of
incorporation or organization)**

**45-2069276
(I.R.S. Employer
Identification Number)**

550 Broad Street, Newark, New Jersey 07102
(Address of principal executive offices) (Zip Code)

(973) 438-3500

(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 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 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 (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

As of November 5, 2014, the registrant had the following shares outstanding:

Class A common stock, \$.01 par value: 1,574,326 shares outstanding
Class B common stock, \$.01 par value: 22,999,617 shares outstanding (excluding 177,889 treasury shares)

GENIE ENERGY LTD.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

GENIE ENERGY LTD.

CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,
	2014	2013
	(Unaudited)	(Note 1)
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$86,238	\$ 73,885
Restricted cash—short-term	11,000	14,429
Certificates of deposit	4,661	4,343
Trade accounts receivable, net of allowance for doubtful accounts of \$1,238 at September 30, 2014 and \$930 at December 31, 2013	24,976	42,926
Receivable due from related party	263	—
Inventory	8,979	3,344
Prepaid expenses	4,170	3,408
Deferred income tax assets, net	920	840
Other current assets	3,770	2,917
Total current assets	144,977	146,092
Property and equipment, net	1,748	561
Goodwill	7,226	7,349
Restricted cash—long-term	1,074	1,127
Other assets	3,806	3,714
Total assets	\$158,831	\$ 158,843
Liabilities and equity		
Current liabilities:		
Trade accounts payable	\$13,618	\$ 25,302
Accrued expenses	9,944	9,856
Advances from customers	227	1,103
Income taxes payable	278	2,075
Due to IDT Corporation	831	541
Other current liabilities	2,010	1,457
Total current liabilities	26,908	40,334

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Other liabilities	1,985	2,169
Total liabilities	28,893	42,503
Commitments and contingencies		
Equity:		
Genie Energy Ltd. stockholders' equity:		
Preferred stock, \$.01 par value; authorized shares—10,000:		
Series 2012-A, designated shares—8,750; at liquidation preference, consisting of 2,322 and 1,917 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	19,743	16,303
Class A common stock, \$.01 par value; authorized shares—35,000; 1,574 shares issued and outstanding at September 30, 2014 and December 31, 2013	16	16
Class B common stock, \$.01 par value; authorized shares—200,000; 23,178 and 19,755 shares issued and 23,000 and 19,696 shares outstanding at September 30, 2014 and December 31, 2013, respectively	232	198
Additional paid-in capital	112,156	82,791
Treasury stock, at cost, consisting of 178 and 59 shares of Class B common stock at September 30, 2014 and December 31, 2013, respectively	(1,430)	(473)
Accumulated other comprehensive income	403	745
Retained earnings	4,521	21,552
Total Genie Energy Ltd. stockholders' equity	135,641	121,132
Noncontrolling interests:		
Noncontrolling interests	(4,703)	(3,792)
Receivable for issuance of equity	(1,000)	(1,000)
Total noncontrolling interests	(5,703)	(4,792)
Total equity	129,938	116,340
Total liabilities and equity	\$ 158,831	\$ 158,843

See accompanying notes to consolidated financial statements.

GENIE ENERGY LTD.**CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Revenues:				
Electricity	\$43,357	\$66,923	\$179,347	\$166,613
Natural gas	2,829	4,715	45,998	45,490
Total revenues	46,186	71,638	225,345	212,103
Direct cost of revenues	(28,359)	(51,699)	(186,170)	(163,179)
Gross profit	17,827	19,939	39,175	48,924
Operating expenses and losses:				
Selling, general and administrative (i)	18,890	12,666	46,605	37,572
Research and development	3,044	2,653	7,513	7,734
Equity in the net loss of AMSO, LLC	—	672	—	2,607
(Loss) income from operations	(4,107)	3,948	(14,943)	1,011
Interest income	117	59	310	351
Financing fees	(518)	(729)	(2,046)	(2,524)
Other income (expense), net	150	(159)	121	(344)
(Loss) income before income taxes	(4,358)	3,119	(16,558)	(1,506)
Provision for income taxes	(467)	(1,077)	(420)	(2,717)
Net (loss) income	(4,825)	2,042	(16,978)	(4,223)
Net loss (income) attributable to noncontrolling interests	430	(51)	929	(1,197)
Net (loss) income attributable to Genie Energy Ltd.	(4,395)	1,991	(16,049)	(5,420)
Dividends on preferred stock	(370)	(306)	(1,046)	(917)
Net (loss) income attributable to Genie Energy Ltd. common stockholders.	\$(4,765)	\$1,685	\$(17,095)	\$(6,337)
(Loss) earnings per share attributable to Genie Energy Ltd. common stockholders:				
Basic	\$(0.22)	\$0.09	\$(0.81)	\$(0.33)
Diluted	\$(0.22)	\$0.08	\$(0.81)	\$(0.33)
Weighted-average number of shares used in calculation of (loss) earnings per share:				
Basic	21,224	19,384	21,189	19,413
Diluted	21,224	21,089	21,189	19,413

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(i) Stock-based compensation included in selling, general and administrative expenses	\$4,929	\$1,064	\$8,492	\$3,155
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See accompanying notes to consolidated financial statements.

GENIE ENERGY LTD.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME****(Unaudited)**

	Three Months Ended September 30, 2014 2013		Nine Months Ended September 30, 2014 2013	
	(in thousands)			
Net (loss) income	\$ (4,825)	\$ 2,042	\$ (16,978)	\$ (4,223)
Other comprehensive income (loss):				
Change in unrealized loss on available-for-sale securities, net of tax	—	59	—	15
Foreign currency translation adjustments	(397)	176	(324)	321
Other comprehensive (loss) income	(397)	235	(324)	336
Comprehensive (loss) income	(5,222)	2,277	(17,302)	(3,887)
Comprehensive loss (income) attributable to noncontrolling interests	408	(48)	911	(1,184)
Comprehensive (loss) income attributable to Genie Energy Ltd.	\$ (4,814)	\$ 2,229	\$ (16,391)	\$ (5,071)

See accompanying notes to consolidated financial statements.

GENIE ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

**Nine
Months
Ended
September
30,**