

SAFEGUARD SCIENTIFICS INC

Form 10-Q

April 25, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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FORM 10-Q

(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, 2014

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 1-5620

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Safeguard Scientifics, Inc.

(Exact name of registrant as specified in its charter)

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Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-1609753

(I.R.S. Employer ID No.)

435 Devon Park Drive

Building 800

Wayne, PA

19087

(Address of principal executive offices)

(Zip Code)

(610) 293-0600

Registrant's telephone number, including area code

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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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 Exchange Act).

Yes  No

Number of shares outstanding as of April 24, 2014

Common Stock 20,631,998



SAFEGUARD SCIENTIFICS, INC.  
QUARTERLY REPORT ON FORM 10-Q  
TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

	Page
Item 1 – Financial Statements:	
<u>Consolidated Balance Sheets (unaudited) – March 31, 2014 and December 31, 2013</u>	<u>3</u>
<u>Consolidated Statements of Operations (unaudited) – Three Months Ended March 31, 2014 and 2013</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income (Loss) (unaudited) - Three Months Ended March 31, 2014 and 2013</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows (unaudited) – Three Months Ended March 31, 2014 and 2013</u>	<u>6</u>
<u>Consolidated Statement of Changes in Equity (unaudited) – Three Months Ended March 31, 2014</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>8</u>
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3 – Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
<u>Item 4 – Controls and Procedures</u>	<u>36</u>
PART II – OTHER INFORMATION	
<u>Item 1 - Legal Proceedings</u>	<u>36</u>
<u>Item 1A – Risk Factors</u>	<u>36</u>
<u>Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>37</u>
<u>Item 3 - Defaults Upon Senior Securities</u>	<u>37</u>
<u>Item 4 - Mine Safety Disclosures</u>	<u>37</u>
<u>Item 5 - Other Information</u>	<u>37</u>
<u>Item 6 – Exhibits</u>	<u>38</u>
<u>Signatures</u>	<u>39</u>

SAFEGUARD SCIENTIFICS, INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except per share data)

	March 31, 2014 (Unaudited)	December 31, 2013
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 199,752	\$ 139,318
Marketable securities	37,384	38,250
Restricted marketable securities	—	5
Prepaid expenses and other current assets	1,252	1,557
Total current assets	238,388	179,130
Property and equipment, net	128	138
Ownership interests in and advances to partner companies and funds (of which \$0 and \$20,057 are measured at fair value at March 31, 2014 and December 31, 2013, respectively)	114,617	148,579
Loan participations receivable	7,303	8,135
Available-for-sale securities	12	15
Long-term marketable securities	4,576	6,088
Other assets	2,908	3,911
Total Assets	\$367,932	\$345,996
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Convertible senior debentures—current	\$441	\$470
Accounts payable	391	245
Accrued compensation and benefits	1,631	5,028
Accrued expenses and other current liabilities	3,152	2,431
Total current liabilities	5,615	8,174
Other long-term liabilities	3,536	3,683
Convertible senior debentures—non-current	49,741	49,478
Total Liabilities	58,892	61,335
Commitments and contingencies		
Equity:		
Preferred stock, \$0.10 par value; 1,000 shares authorized	—	—
Common stock, \$0.10 par value; 83,333 shares authorized; 21,573 and 21,553 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	2,157	2,155
Additional paid-in capital	822,641	822,103
Treasury stock, at cost, 361 and 4 shares at March 31, 2014 and December 31, 2013, respectively	(7,480	) —
Accumulated deficit	(508,278	) (539,597
Total Equity	309,040	284,661
Total Liabilities and Equity	\$367,932	\$345,996
See Notes to Consolidated Financial Statements.		



SAFEGUARD SCIENTIFICS, INC.  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited—In thousands, except per share data)

	Three months ended March 31,	
	2014	2013
General and administrative expense	\$5,239	\$5,374
Operating loss	(5,239)	(5,374)
Other income, net	30,374	757
Interest income	470	734
Interest expense	(1,094)	(1,069)
Equity income (loss)	6,808	(6,987)
Net income (loss) before income taxes	31,319	(11,939)
Income tax benefit (expense)	—	—
Net income (loss)	\$31,319	\$(11,939)
Net income (loss) per share:		
Basic	\$1.44	\$(0.57)
Diluted	\$1.29	\$(0.57)
Weighted average shares used in computing income (loss) per share:		
Basic	21,687	21,109
Diluted	25,121	21,109

See Notes to Consolidated Financial Statements.

SAFEGUARD SCIENTIFICS, INC.  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 (Unaudited – In thousands)

	Three months ended March 31,	
	2014	2013
Net income (loss)	\$31,319	\$(11,939 )
Other comprehensive income (loss), before taxes:		
Unrealized net loss on available-for-sale securities	(3 )	(14 )
Reclassification adjustment for other than temporary impairment of available-for-sale securities included in net income (loss)	3	14
Total comprehensive income (loss)	\$31,319	\$(11,939 )
See Notes to Consolidated Financial Statements.		

SAFEGUARD SCIENTIFICS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited – In thousands)

	Three months ended March 31,	
	2014	2013
Cash Flows from Operating Activities:		
Net cash used in operating activities	\$(7,816 )	\$(6,891 )
Cash Flows from Investing Activities:		