

SPAR GROUP INC
Form 10-Q
November 21, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the third quarterly period ended **September 30, 2016**.

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: 0-27824

SPAR Group, Inc.

(Exact name of registrant as specified in its charter)
Delaware 33-0684451
State of Incorporation IRS Employer Identification No.

333 Westchester Avenue, South Building, Suite 204,
White Plains, New York 10604
Address of principal executive offices, including zip
code)

Registrant's telephone number, including area code: (914) 332-4100

Indicate by check 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

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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", "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer
Non-Accelerated Filer
(Do not check if a smaller reporting
company)

Accelerated Filer
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

On November 11, 2016, there were 20,639,490 shares of Common Stock outstanding.

SPAR Group, Inc.

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SIGNATURES

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PART I: FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements****SPAR Group, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets***(In thousands, except share and per share data)*

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,502	\$ 5,718
Accounts receivable, net	30,782	23,203
Deferred income taxes	532	529
Prepaid expenses and other current assets	898	661
Total current assets	39,714	30,111
Property and equipment, net	2,556	2,443
Goodwill	2,257	1,800
Intangible assets, net	2,154	2,551
Deferred income taxes	6,513	5,890
Other assets	2,290	611
Total assets	\$ 55,484	\$ 43,406
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 5,007	\$ 2,984
Accrued expenses and other current liabilities	12,628	7,082
Accrued expenses due to affiliates	989	78
Deferred income taxes	2,566	2,154
Customer deposits	955	503
Lines of credit and short-term loans	8,181	476
Total current liabilities	30,326	13,277
Long-term debt and other liabilities	12	5,731
Total liabilities	30,338	19,008
Commitments and Contingencies – See Note 8		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares– 2,445,598		

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Issued and outstanding shares–		
None – September 30, 2016 and December 31, 2015	–	–
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued shares – 20,680,717 – September 30, 2016 and December 31, 2015	207	207
Treasury stock, at cost 42,177 shares – September 30, 2016 and 119,695 shares – December 31, 2015	(58) (169)
Additional paid-in capital	16,041	15,871
Accumulated other comprehensive loss	(3,364) (2,869)
Retained earnings	5,746	5,662
Total SPAR Group, Inc. equity	18,572	18,702
Non-controlling interest	6,574	5,696
Total equity	25,146	24,398
Total liabilities and equity	\$ 55,484	\$ 43,406

See accompanying notes.

SPAR Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(In thousands, except per share data)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	2015	2016	2015	2016
Net revenues	\$28,269	\$33,438	\$87,002	\$89,781
Cost of revenues	21,555	26,162	66,206	69,309
Gross profit	6,714	7,276	20,796	20,472
Selling, general and administrative expense	6,014	6,360	18,289	17,637
Depreciation and amortization	471	486	1,414	1,459
Operating income	229	430	1,093	1,376
Interest expense	47	51	187	111
Other (income), net	(8)	(78)	(68)	(183)
Income before income tax expense	190	457	974	1,448
Income tax (benefit) expense	83	(31)	435	200
Net income	107	488	539	1,248
Net income attributable to non-controlling interest	(199)	(546)	(676)	(1,164)
Net (loss) income attributable to SPAR Group, Inc.	\$(92)	\$(58)	\$(137)	\$84
Basic and diluted loss per common share:	\$-	\$-	\$(0.01)	\$-
Weighted average common shares – basic	20,556	20,607	20,562	20,580
Weighted average common shares – diluted	20,556	20,607	20,562	21,299
Net income	\$107	\$488	\$539	\$1,248
Other comprehensive income (loss):				
Foreign currency translation adjustments	(663)	206	(1,413)	(495)
Comprehensive income (loss)	(556)	694	(874)	753
Comprehensive (income) attributable to non-controlling interest	(199)	(546)	(676)	(1,164)
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$(755)	\$148	\$(1,550)	\$(411)

See accompanying notes.

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SPAR Group, Inc. and Subsidiaries**Condensed Consolidated Statement of Equity****(unaudited)***(In thousands)*

	Common Stock		Treasury Stock		Additional	Accumulated		Non-	
	Shares	Amount	Shares	Amount	Paid-In	Other	Retained	Controlling	Total
					Capital	Comprehensive	Earnings	Interest	Equity
						Loss			
Balance at January 1, 2016	20,681	\$ 207	120	\$ (169)	\$ 15,871	\$ (2,869)	\$ 5,662	\$ 5,696	\$ 24,398
Share-based compensation	–	–	–	–	271	–	–	–	271
Purchase of treasury shares	–	–	11	(12)	–	–	–	–	(12)
Reissued treasury shares – RSU's	–	–	(33)	46	(46)	–	–	–	–
Reissued treasury shares – Employee Stock Plan	–	–	(2)	3	(3)	–	–	–	–
Exercise of stock options	–	–	(54)	74	(52)	–	–	–	22
Distributions to non-controlling investors	–	–	–	–	–	–	–	(286)	(286)
Other comprehensive loss	–	–	–	–	–	(495)	–	–	(495)
Net income	–	–	–	–	–	–	84	1,164	1,248
Balance at September 30, 2016	20,681	\$ 207	42	\$ (58)	\$ 16,041	\$ (3,364)	\$ 5,746	\$ 6,574	\$ 25,146

See accompanying notes.

SPAR Group, Inc. and Subsidiaries**Condensed Consolidated Statements of Cash Flows****(unaudited)***(In thousands)*

	Nine Months Ended September 30, 2016 2015	
Operating activities		
Net income	\$1,248	\$539
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,459	1,414
Bad debt expense, net of recoveries	317	409
Share based compensation	271	306
Changes in operating assets and liabilities:		
Accounts receivable	(4,643)	4,244
Prepaid expenses and other assets	(105)	(21)
Accounts payable	1,000	(403)
Accrued expenses, other current liabilities and customer deposits	2,548	(1,395)
Net cash provided by operating activities	2,095	5,093
Investing activities		
Purchases of property and equipment and capitalized software	(1,153)	(1,238)
Purchases of Brazil subsidiary, net of cash	(306)	-
Net cash used in investing activities	(1,459)	(1,238)
Financing activities		
Net borrowing (payments) on lines of credit	2,015	(473)
Proceeds from stock options exercised	22	24
Proceeds from local Brazil	102	-
Payments on term debt	(21)	(18)
Purchase of treasury shares	(12)	(109)
Distribution to non-controlling investors	(286)	(329)
Net cash provided by (used in) financing activities	1,820	(905)
Effect of foreign exchange rate changes on cash	(672)	(1,122)
Net change in cash and cash equivalents	1,784	1,828
Cash and cash equivalents at beginning of year	5,718	4,382
Cash and cash equivalents at end of period	\$7,502	\$6,210

Supplemental disclosure of cash flows information