

TSS, Inc.
Form 10-Q
August 14, 2018

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 quarterly period ended June 30, 2018

or

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

Commission file number: 001-33627

TSS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

20-2027651
(I.R.S. Employer Identification No.)

incorporation or organization)

110 E. Old Settlers Blvd

78664

Austin, Texas

(Address of principal executive offices) (Zip Code)

(512) 310-1000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 (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 each 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," "smaller reporting company," and "emerging growth 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

Emerging growth company

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.

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| | |
|---|-------------------|
| Number of shares of common stock outstanding as of August 14, 2018 | 16,277,130 |
|---|-------------------|

TSS, INC.

QUARTERLY REPORT ON FORM 10Q

For the Quarterly Period Ended June 30, 2018

| | |
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“SAFE HARBOR” STATEMENT

UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

From time to time, we make oral and written statements that may constitute “forward-looking statements” (rather than historical facts) as defined in the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission (the “SEC”) in its rules, regulations and releases, including Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We desire to take advantage of the “safe harbor” provisions in the Private Securities Litigation Reform Act of 1995 for forward looking statements made from time to time, including, but not limited to, the forward- looking statements made in this Quarterly Report on Form 10-Q (the “Form 10-Q”), as well as those made in other filings with the SEC.

Forward looking statements can be identified by our use of forward looking terminology such as “may,” “will,” “expect,” “anticipate,” “estimate,” “believe,” “continue,” “forecast,” “foresee” or other similar words. Such forward looking statements are based on management’s current plans and expectations and are subject to risks, uncertainties and changes in plans that could cause actual results to differ materially from those described in the forward-looking statements. Important factors that could cause actual results to differ materially from those anticipated in our forward-looking statements include, but are not limited to, those described under *Risk Factors* set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

We expressly disclaim any obligation to release publicly any updates or any changes in our expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based.

As used herein, except as otherwise indicated by the context, the terms “TSS,” “Company,” “we”, “our” and “us” are used to refer to TSS, Inc. and its subsidiaries.

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****TSS, Inc.****Consolidated Balance Sheets****(in thousands except par values)**

| | June 30, 2018 (unaudited) | December 31, 2017 |
|---|--|----------------------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 3,312 | \$2,268 |
| Contract and other receivables, net | 1,524 | 990 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 325 | 223 |
| Inventories, net | 97 | 134 |
| Prepaid expenses and other current assets | 270 | 114 |
| Total current assets | 5,528 | 3,729 |
| Property and equipment, net | 423 | 418 |
| Goodwill | 1,907 | 1,907 |
| Intangible assets, net | 494 | 561 |
| Other assets | 109 | 112 |
| Total assets | \$ 8,461 | \$6,727 |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 2,901 | \$2,841 |
| Deferred revenues | 3,406 | 2,494 |
| Total current liabilities | 6,307 | 5,335 |
| Long-term borrowings | 1,748 | 1,656 |
| Deferred revenue – noncurrent portion | 150 | - |
| Other liabilities | 48 | 41 |
| Total liabilities | 8,253 | 7,032 |
| Commitments and Contingencies | - | - |
| Stockholders' Equity (Deficit): | | |
| Preferred stock, \$.0001 par value; 1,000 shares authorized at June 30, 2018 and December 31, 2017; none issued | - | - |

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| | | |
|--|-----------|-----------|
| Common stock, \$.0001 par value; 49,000 shares authorized at June 30, 2018 and December 31, 2017; 16,286 and 16,316 issued; 15,517 and 15,547 outstanding at June 30, 2018 and December 31, 2017, respectively | 2 | 2 |
| Additional paid-in capital | 69,001 | 68,886 |
| Treasury stock 769 shares at cost at June 30, 2018 and December 31, 2017 | (1,536) | (1,536) |
| Accumulated deficit | (67,259) | (67,657) |
| Total stockholders' equity (deficit) | 208 | (305) |
| Total liabilities and stockholders' equity (deficit) | \$ 8,461 | \$6,727 |

See accompanying notes to the consolidated financial statements.

TSS, Inc.**Consolidated Statements of Operations****(in thousands, except per-share amounts; unaudited)**

| | Three Months | | Six Months | |
|---|----------------------|-------------|----------------------|-------------|
| | Ended June 30 | | Ended June 30 | |
| | 2018 | 2017 | 2018 | 2017 |
| Results of Operations: | | | | |
| Revenue | \$5,367 | \$4,198 | \$10,216 | \$8,587 |
| Cost of revenue | 3,302 | 2,444 | 6,285 | 4,974 |
| Gross profit | 2,065 | 1,754 | 3,931 | 3,613 |
| Selling, general and administrative expenses | 1,516 | 1,555 | 3,093 | 3,298 |
| Depreciation and amortization | 100 | 125 | 206 | 263 |
| Gain on sale of business component | - | - | - | (321) |
| Total operating costs | 1,616 | 1,680 | 3,299 | 3,240 |
| Income from operations | 449 | 74 | 632 | 373 |
| Other income (expense): | | | | |
| Interest expense, net | (111) | (74) | (204) | (151) |
| Other income (expense), net | - | (3) | - | (3) |
| Income (loss) from operations before income taxes | 338 | (3) | 428 | 219 |
| Income tax (benefit) expense | 19 | 21 | 30 | (10) |
| Net income (loss) | \$319 | \$(24) | \$398 | \$229 |
| Basic income (loss) per common share | \$0.02 | | | |