

Tecnoglass Inc.
Form 10-Q
August 06, 2015

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, 2015

**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: 001-35436

TECNOGLASS INC.

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands

(State or other jurisdiction of incorporation or organization)

N/A

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

TECNOGLASS INC.

FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2015

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

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,018	\$ 15,930
Trade accounts receivable, net	54,306	44,955
Due from related parties	31,266	28,327
Inventories, net	40,097	28,965
Other current assets	26,869	23,319
Total current assets	168,556	141,496
Long term assets:		
Property, plant and equipment, net	126,340	103,980
Long term receivables from related parties	3,392	4,220
Other long term assets	5,946	6,195
Total long term assets	135,678	114,395
Total assets	\$ 304,234	\$ 255,891
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 43,469	\$ 33,493
Due to related parties	3,836	1,456
Current portion of customer advances on uncompleted contracts	10,356	5,782
Short-term debt and current portion of long term debt	58,217	54,925
Note payable to shareholder	79	80
Other current liabilities	21,459	17,300
Total current liabilities	137,416	113,036
Long term liabilities:		
Warrant liability	31,304	19,991

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Customer advances on uncompleted contracts	10,645	8,333
Long term debt	56,654	39,273
Total liabilities	\$236,019	\$180,633
COMMITMENTS AND CONTINGENCIES		
Shareholders' equity		
Preferred shares, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at June 30, 2015	-	-
Ordinary shares, \$0.0001 par value, 100,000,000 shares authorized, 25,301,132 and 24,801,132 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	3	2
Legal Reserves	1,367	1,367
Additional paid-in capital	46,514	46,514
Retained earnings	37,340	38,806
Accumulated other comprehensive loss	(17,009)	(11,431)
Total shareholders' equity	\$68,215	\$75,258
Total liabilities and shareholders' equity	\$304,234	\$255,891

The accompanying notes are an integral part of these condensed consolidated financial statements.

Tecnoglass Inc. and Subsidiaries**Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income**

(Amounts in thousands, except share and per share amounts)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Operating revenues	\$58,053	\$51,936	\$110,096	\$99,777
Cost of sales	39,055	35,287	73,916	68,532
Gross Profit	18,998	16,649	36,180	31,245
Operating expenses	9,690	8,230	18,870	14,969
Operating income	9,308	8,419	17,310	16,276
Loss on change in fair value of warrant liability	(16,391)	(4,645)	(11,313)	(13,525)
Non-operating revenues, net	1,417	1,191	5,142	2,477
Interest expense	2,050	2,294	4,202	4,267
(Loss) Income before taxes	(7,716)	2,671	6,937	961
Income tax provision	3,631	2,263	8,403	5,234
Net (loss) income	\$(11,347)	\$408	\$(1,466)	\$(4,273)
Comprehensive (loss) income:				
Net (loss) income	\$(11,347)	\$408	\$(1,466)	\$(4,273)
Foreign currency translation adjustments	(410)	2,885	(5,577)	2,709
Total comprehensive (loss) income	\$(11,757)	\$3,293	\$(7,043)	\$(1,564)
Basic (loss) income per share	\$(0.45)	\$0.02	\$(0.06)	\$(0.18)
Diluted (loss) income per share	\$(0.45)	\$0.01	\$(0.06)	\$(0.18)
Basic weighted average common shares outstanding	25,147,286	24,311,199	24,975,165	24,276,947
Diluted weighted average common shares outstanding	25,147,286	27,986,839	24,975,165	24,276,947

The accompanying notes are an integral part of these condensed consolidated financial statements.

Tecnoglass Inc. and Subsidiaries**Condensed Consolidated Statements of Cash Flows****(Amounts in thousands)****(Unaudited)**

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(1,466)	\$(4,273)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for bad debts	428	-
Provision for obsolete inventory	(281)	20
Depreciation and amortization	5,246	4,972
Equity method income	-	51
Change in value of derivative liability	(42)	(24)
Change in fair value of warrant liability	11,313	13,525
Deferred income taxes	(854)	818
Changes in operating assets and liabilities:		
Trade accounts receivables	(13,623)	(21,027)
Inventories	(13,721)	(432)
Prepaid expenses	198	(391)
Other assets	(4,297)	(6,470)
Accounts payable and accrued expenses	12,974	(4,073)
Advances from customers	8,254	634
Related parties, net	(2,300)	(3,517)
Other current liabilities	5,418	(2,700)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,247	(22,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	266	337
Proceeds from sale of property and equipment	34	-
Purchase of investments	(979)	(869)
Acquisition of property and equipment	(15,188)	(7,282)
Restricted cash	-	3,572
CASH USED IN INVESTING ACTIVITIES	(15,867)	(4,242)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	57,462	55,080
Proceeds from the sale of common stock	-	1,000
Proceeds from the exercise of warrants	-	160

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Repayments of debt	(49,093)	(37,568)
Merger proceeds held in trust	-	22,519
CASH PROVIDED BY FINANCING ACTIVITIES	8,369	41,191
Effect of exchange rate changes on cash and cash equivalents	339	516
NET INCREASE IN CASH	88	14,578
CASH - Beginning of period	15,930	2,866
CASH - End of period	\$16,018	\$17,444
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$3,239	\$3,493
Income Tax	\$7,188	\$5,638
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired under capital lease	\$20,180	\$2,462

The accompanying notes are an integral part of these condensed consolidated financial statements.

Tecnoglass Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

(Unaudited)

Note 1. Organization, Plan of Business Operation

Tecnoglass Inc. (“TGI,” the “Company,” “we,” “us” or “our”) was incorporated in the Cayman Islands on September 21, 2011 under the name “Andina Acquisition Corporation” (“Andina”) as a blank check company. Andina’s objective was to acquire, through a merger, share exchange, asset acquisition, share purchase recapitalization, reorganization or other similar business combination, one or more operating businesses. On December 20, 2013, Andina consummated a merger transaction (the “Merger”) with Tecno Corporation (“Tecnoglass Holding”) as ultimate parent of Tecnoglass S.A. (“TG”) and C.I. Energía Solar S.A. ES. Windows (“ES”). The surviving entity was renamed Tecnoglass Inc. The Merger transaction was accounted for as a reverse merger and recapitalization where Tecnoglass Holding was the acquirer and TGI was the acquired company. Accordingly, the business of Tecnoglass Holding and its subsidiaries became our business. We are now a holding company operating through our direct and indirect subsidiaries.

The Company manufactures hi-specification, architectural glass and windows for the global residential and commercial construction industries. Currently the Company offers design, production, marketing, and installation of architectural systems for buildings of high, medium and low elevation size. Products include windows and doors in glass and aluminum, office partitions and interior divisions, floating façades and commercial window showcases. The Company sells to customers in North, Central and South America, and exports about half of its production to foreign countries.