

CYANOTECH CORP  
Form 10-Q  
November 12, 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 Quarterly Period Ended September 30, 2014**

**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 0-14602**

**CYANOTECH CORPORATION**

(Exact name of registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or organization)

**91-1206026**

(IRS Employer Identification Number)

**73-4460 Queen Kaahumanu Hwy. #102, Kailua-Kona, HI 96740**

(Address of principal executive offices)

**(808) 326-1353**

(Registrant's telephone number)

**Not Applicable**

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

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 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 common shares outstanding as of November 10, 2014:

<b>Title of Class</b>	<b>Shares Outstanding</b>
Common stock - \$0.02 par value	5,516,999



CYANOTECH CORPORATION

FORM 10-Q

INDEX

**PART I. FINANCIAL INFORMATION**

Item 1.	Financial Statements (unaudited)	3
	Condensed Consolidated Balance Sheets as of September 30, 2014 and March 31, 2014	3
	Condensed Consolidated Statements of Operations for the three and six month periods ended September 30, 2014 and 2013 September 30, 2013 and 2012	4
	Condensed Consolidated Statements of Cash Flows for the six month periods ended September 30, 2014 and 2013	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	19
Item 4.	Controls and Procedures	19

**PART II. OTHER INFORMATION**

Item 1.	Legal Proceedings	20
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	20
Item 3.	Defaults upon Senior Securities	20
Item 5.	Other Information	20
Item 6.	Exhibits	20
SIGNATURES		21

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements** (Unaudited)

## CYANOTECH CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except par value and number of shares)

(Unaudited)

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,858	\$4,312
Accounts receivable, net of allowance for doubtful accounts of \$6 at September 30, 2014 and \$6 at March 31, 2014	4,185	3,347
Inventories, net	5,312	4,876
Deferred tax assets	216	216
Prepaid expenses and other current assets	452	339
Total current assets	13,023	13,090
Equipment and leasehold improvements, net	13,232	11,826
Restricted cash	1,091	1,368
Deferred tax assets	3,550	3,124
Other assets	872	902
Total assets	\$ 31,768	\$30,310
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 210	\$204
Customer deposits	34	30
Accounts payable	4,244	3,184
Accrued expenses	1,032	774
Total current liabilities	5,520	4,192
Long-term debt, excluding current maturities	5,155	5,263
Deferred rent	8	8
Total liabilities	10,683	9,463

Commitments and contingencies

Stockholders' equity:

Common stock of \$0.02 par value, shares authorized 50,000,000; 5,516,999 shares issued and outstanding at September 30, 2014 and 5,488,038 shares at March 31, 2014	110	110
Additional paid-in capital	30,354	29,891
Accumulated deficit	(9,379 )	(9,154 )
Total stockholders' equity	21,085	20,847
Total liabilities and stockholders' equity	\$ 31,768	\$30,310

See accompanying Notes to Condensed Consolidated Financial Statements.

CYANOTECH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	<b>Three Months Ended September 30, 2014</b>		<b>Six Months Ended September 30, 2014</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
NET SALES	\$8,684	\$7,299	\$16,126	\$14,208
COST OF SALES	4,408	4,306	8,882	8,363
Gross profit	4,276	2,993	7,244	5,845
<b>OPERATING EXPENSES:</b>				
General and administrative	2,170	1,261	4,917	2,816
Sales and marketing	1,462	1,180	2,696	2,184