

Tecnoglass Inc.
Form 10-Q/A
May 31, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 2)

(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)

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Cayman Islands

N/A

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Avenida Circunvalar a 100 mts de la Via 40, Barrio Las Flores Barranquilla, Colombia

(Address of principal executive offices)

(57)(5) 3734000

(Issuer's telephone number)

(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 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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
(Do not check if 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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 26,914,764 ordinary shares as of March 31, 2016.

EXPLANATORY NOTE

Tecnoglass Inc. (the “Company” or “we”) is filing this Amendment No. 2 (the “Amendment”) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (the “Original Filing”) to correct misstatements and errors in the Company’s previously issued financial statements for the six months ended June 30, 2015.

In preparing the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, the Company identified six non-cash errors: (1) in the way the Company had accounted for the fair value and classification of its “earnout shares”, (2) in the classification and presentation of deferred tax assets and liabilities on the consolidated balance sheets, (3) in the classification of its shipping and handling costs in the consolidated statement of operations, (4) in the presentation of related party revenues on consolidated statements of operations and comprehensive income, (5) in the classification of purchases and sales of investments in the consolidated statements of cash flows, and (6) in the Company’s conclusion on certain variable interest entities. In accordance with accounting guidance presented in ASC 250-10 and SEC Staff Accounting Bulletin No. 99, Materiality, the Company’s management assessed the materiality of the errors on a consolidated basis and concluded they were material to the financial statements for the year ended December 31, 2014 and the quarterly periods within both 2015 and 2014. The Company reported non-reliance on previously filed financial statements on a Form 8-k filed on April 6, 2016. With respect to the financial statements for the year ended December 31, 2014, the errors have been corrected in the Company’s 2015 10-K by form of a restatement. The corrections applicable to the three- and six-month periods ended June 30, 2015 and 2014 are included in this Amendment No. 2 to the Original Filing, and are further described in Note 2, Correction of Misstatements and Errors.

No other changes have been made to the Original Filing other than to modify the information as described above. This Amendment should be read in conjunction with the Original Filing. This Amendment speaks as of the date of the Original Filing, does not reflect events that may have occurred after the date of the Original Filing and does not modify or update in any way the disclosures made in the Original Filing, except as required to reflect the revisions discussed above.

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 (Restated)	December 31, 2014 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,018	\$ 15,930
Trade accounts receivable, net	53,604	44,718
Due from related parties	31,968	28,564
Inventories, net	40,097	28,965
Other current assets	21,316	17,946
Total current assets	163,003	136,123
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	6,200
Total long term assets	135,678	114,400
Total assets	\$ 298,681	\$ 250,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade Accounts payable	\$ 43,192	\$ 34,036
Due to related parties	4,113	913
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
Earnout Share Liability	12,573	5,075
Other current liabilities	15,785	11,932
Total current liabilities	\$ 144,315	\$ 112,743

Long term liabilities:		
Warrant liability	\$ 31,304	\$ 19,991
Earnout Share Liability	18,395	23,986
Other Current Liabilities	121	-
Customer advances on uncompleted contracts	10,645	8,333
Long term debt	56,654	39,273
Total long term liabilities	117,119	91,583
Total liabilities	\$ 261,434	\$ 204,326

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	\$ 0	\$ 0
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	31,905	26,140
Retained earnings	20,981	30,119
Accumulated other comprehensive loss	(17,009)	(11,431)
Total shareholders' equity	37,247	46,197
Total liabilities and shareholders' equity	\$ 298,681	\$ 250,523

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 (Restated)	2014 (Restated)	2015 (Restated)	2014 (Restated)
Operating revenues:				
External customers	\$45,830	\$38,043	\$83,930	\$72,901
Related parties	12,223	13,893	26,166	26,876
Total operating revenues	58,053	51,936	110,096	99,777
Cost of sales	37,179	33,959	70,612	66,171
Gross Profit	20,874	17,977	39,484	33,606
Operating expenses	11,566	9,558	22,174	17,330
Operating income	9,308	8,419	17,310	16,276
Loss on change in fair value of Earnout Shares	(9,653)	(6,447)	(7,672)	(11,758)
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 before taxes	(17,369)	(3,776)	(735)	(10,797)
Income tax provision	3,631	2,263	8,403	5,234
Net loss	\$(21,000)	\$(6,039)	\$(9,138)	\$(16,031)
Comprehensive loss:				
Net loss	\$(21,000)	\$(6,039)	\$(9,138)	\$(16,031)
Foreign currency translation adjustments	(410)	2,885	(5,577)	2,709
Total comprehensive loss	\$(21,410)	\$(3,154)	\$(14,715)	\$(13,322)
Basic loss per share	\$(0.84)	\$(0.25)	\$(0.37)	\$(0.66)
Diluted loss per share	\$(0.84)	\$(0.25)	\$(0.37)	\$(0.66)

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Basic weighted average common shares outstanding	25,147,286	24,311,199	24,975,165	24,276,947
Diluted weighted average common shares outstanding	29,074,418	27,986,839	28,392,628	27,576,936

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
	(Restated)	(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (9,138)	\$ (16,031)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	-	-
Provision for bad debts	428	-
Provision for obsolete inventory, net	(281)	20
Depreciation and amortization	5,246	4,972
Equity method income	-	51
Change in value of derivative liability	(42)	(24)
Change in value of Earnout share liability	7,672	11,757
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	(12,894)	(20,418)
Inventories	(13,721)	(432)
Prepaid expenses	198	(391)
Other assets	(4,297)	(6,470)
Trade accounts payable	12,685	(4,105)
Advances from customers	8,254	634
Related parties, net	(2,740)	(4,093)
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	435	337
Proceeds from sale of property and equipment	34	-
Purchase of investments	(1,148)	(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.

TG manufactures both glass and aluminum products. Its glass products include tempered glass, laminated glass, thermo-acoustic glass, curved glass, silk-screened glass, acoustic glass and digital print glass. Its Alutions plant produces mill finished, anodized, painted aluminum profiles and rods, tubes, bars and plates. Alutions’ operations include extrusion, smelting, painting and anodizing processes, and exporting, importing and marketing aluminum products.

ES designs, manufactures, markets and installs architectural systems for high, medium and low-rise construction, glass and aluminum windows and doors, office dividers and interiors, floating facades and commercial display windows.

In 2014, the Company established two Florida limited liability companies, Tecnoglass LLC (“Tecno LLC”) and Tecnoglass RE LLC (“Tecno RE”) to acquire manufacturing facilities, manufacturing machinery and equipment, customer lists and exclusive design permits.

Note 2. Correction of Misstatements and Errors

The Company identified and corrected six non-cash errors in its annual financial statements for the year ended December 31, 2014.. The errors, which are also addressed in these amended condensed financial statements as of June 30, 2015, occurred: (1) in the way the Company had accounted for the fair value and classification of its EBITDA/Ordinary Share Price Shares or “earnout shares”, (2) in the classification and presentation of deferred tax assets and liabilities, (3) in the classification of its shipping and handling costs, (4) in the presentation of related party revenue on consolidated statements of operations and comprehensive income, (5) in the classification of purchases and sales of investments in the consolidated statements of cash flows, and (6) in the Company’s conclusion on certain variable interest entities

A description of each misstatement or error is provided below and additional detail is provided in other notes to these condensed consolidated financial statements:

(a) Earnout shares - The Company entered into an Agreement and Plan of Reorganization (the “Merger Agreement”) as of August 17, 2013. Pursuant to the Merger Agreement, on the closing date of December 20, 2013, the Company issued 3,000,000 Ordinary Shares (“Earnout Shares”) to be held in escrow and to be released after the closing based on the Company’s achievement of specified share price targets or targets based on Tecnoglass Holding’s net earnings before interest income or expense, income taxes, depreciation, amortization and any expenses arising solely from the merger charged to income (“EBITDA”) in the fiscal years ending December 31, 2014, 2015 or 2016.

The following table sets forth the targets and the number of Earnout Shares issuable upon the achievement of such targets:

	Ordinary Share Price Target	EBITDA Target		Number of Earnout Shares	
		Minimum	Maximum	Minimum	Maximum
Fiscal year ending 12/31/14	\$12.00 per share	\$30,000	\$36,000	416,667	500,000
Fiscal year ending 12/31/15	\$13.00 per share	\$35,000	\$40,000	875,000	1,000,000
Fiscal year ending 12/31/16	\$15.00 per share	\$40,000	\$45,000	1,333,333	1,500,000

Prior to December 31, 2015, the earnout shares were accounted for within equity at par value. In accordance with ASC 815 – Derivatives and Hedging, the earnout shares are not considered indexed to the Company’s own stock and therefore should have been accounted for as a liability with fair value changes being recorded in the consolidated statements of operations and comprehensive income,

Correction of this error will affect the condensed consolidated financial statements in this Amendment No. 2.

(b) Deferred tax assets and liabilities – The Company was presenting deferred tax assets and liabilities on a gross basis on the balance sheet as at December 31, 2014. Per ASC 740 – Income Taxes, for a particular tax-paying component of an entity and within a particular tax jurisdiction, all current deferred tax liabilities and assets shall be offset and presented as a single amount and all noncurrent deferred tax liabilities and assets shall be offset and presented as a single amount.

Correction of this error will affect the condensed consolidated financial statements in this Amendment No. 2. The deferred tax assets and liabilities have been reclassified and presented in current and long-term assets and liabilities in the condensed consolidated balance sheets presented as of June 30, 2015 and December 31, 2014.

(c) Shipping and handling costs – For the year ended December 31, 2015, the Company recorded and presents s