Ascent Solar Technologies, Inc.
Form 10-Q
November 08, 2012
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

or

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File No. 001-32919

Ascent Solar Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	20-3672603
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12300 Grant Street, Thornton, CO	80241
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: 720-872-5000

Indicate by check mark whether the issuer (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 required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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). x Yes o 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:

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of October 31, 2012, there were 51,011,035 shares of our common stock issued and outstanding.

Table of Contents

ASCENT SOLAR TECHNOLOGIES, INC.
Quarterly Report on Form 10-Q
Quarterly Period Ended September 30, 2012
Table of Contents

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

ASCENT SOLAR TECHNOLOGIES, INC.
(A Development Stage Company)
CONDENSED BALANCE SHEETS
(Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$18,573,299	$11,298,885
Investments	—	12,616,097
Trade receivables, net of allowance for doubtful accounts of $5,839	101,490	342,087
Related party receivables and deposits	631,825	—
Inventories	2,367,521	2,469,123
Prepaid expenses and other current assets	501,950	386,624
Total current assets	22,176,085	27,112,816
Property, Plant and Equipment:	43,828,298	36,897,531
Less accumulated depreciation and amortization	(12,423,385)	(7,964,875)
	31,404,913	28,932,656
Other Assets:		
Restricted cash	—	1,427,053
Deposits on manufacturing equipment	561,812	3,582,883
Patents, net of amortization of $42,374 and $28,248, respectively	368,316	308,785
Other non-current assets	57,500	60,312
	987,628	5,379,033
Total Assets	$54,568,626	$61,424,505
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current Liabilities:		
Accounts payable	$472,462	$658,834
Accrued expenses	1,983,550	1,846,997
Accrued property, plant and equipment	367,804	1,626,317
Current portion of long-term debt	260,611	648,059
Total current liabilities	3,084,427	4,780,207
Long-Term Debt	6,418,012	6,615,070
Accrued Warranty Liability	37,578	26,660
Commitments and Contingencies (Notes 4 & 12)		
Stockholders’ Equity:		
Preferred stock, $0.0001 par value, 25,000,000 shares authorized, no shares outstanding	—	—
Common stock, $0.0001 par value, 125,000,000 shares authorized; 51,008,535 and 39,345,459 shares issued and outstanding, respectively	5,101	3,935
Additional paid in capital	245,845,271	233,004,550
Deficit accumulated during the development stage	(200,821,763)	(183,006,936)
Accumulated other comprehensive income (loss)	—	1,019
Total stockholders’ equity	45,028,609	50,002,568

Total Liabilities and Stockholders’ Equity	$54,568,626	$61,424,505

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

3

Table of Contents

ASCENT SOLAR TECHNOLOGIES, INC.
(A Development Stage Company)
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Period from Inception (October 18, 2005) Through September 30, 2012
	2012	2011	2012	2011	
Revenues					
Products *	$473,657	$156,247	$546,609	$456,987	$1,896,520
Government contracts	82,030	832,260	605,195	2,742,158	9,653,433
Total Revenues	555,687	988,507	1,151,804	3,199,145	11,549,953
Costs and Expenses					
Research and development	5,729,598	4,144,608	14,950,061	19,440,379	94,635,744
Selling, general and administrative	1,187,711	1,524,191	3,868,035	5,619,769	39,690,065
Impairment loss	—	—	—	78,000,000	79,769,480
Total Costs and Expenses	6,917,309	5,668,799	18,818,096	103,060,148	214,095,289
Loss from Operations	(6,361,622)	(4,680,292)	(17,666,292)	(99,861,003)	(202,545,336)
Other Income/(Expense), net	(36,833)	(683,086)	(148,535)	(325,897)	1,723,573
Net Loss	$(6,398,455)	$(5,363,378)	$(17,814,827)	$(100,186,900)	$(200,821,763)
Other Comprehensive Income (Loss)					
Unrealized gain (loss) on investments	—	1,502	—	3,126	—
Comprehensive Loss	$(6,398,455)	$(5,361,876)	$(17,814,827)	$(100,183,774)	$(200,821,763)
Net Loss Per Share (Basic and diluted)	$(0.15)	$(0.15)	$(0.43)	$(2.99)	
Weighted Average Common Shares Outstanding (Basic and diluted)	42,490,471	35,915,727	41,410,374	33,562,851	

* Includes related party revenue of $404,680 for the three and nine months ended September 30, 2012. See Note 11.

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

4

Table of Contents

ASCENT SOLAR TECHNOLOGIES, INC.
(A Development Stage Company)
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2012	For the Nine Months Ended September 30, 2011	For the Period from Inception (October 18, 2005) through September 30, 2012
Operating Activities:			
Net loss	$(17,814,827)	$(100,186,900)	$ (200,821,763)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,664,985	6,146,953	23,012,009
Stock based compensation	761,351	1,279,516	12,648,728
Common stock issued for services	—	58,950	58,950
Realized loss on forward contracts	—	(63,915)	1,430,766
Foreign currency transaction loss (gain)	5,365	(193,874)	(590,433)
Amortization of financing costs and discounts	—	—	998,565
Impairment loss	—	78,000,000	79,769,480
Contract cancellation loss	—	566,696	590,774
Changes in operating assets and liabilities:			
Accounts receivable	240,597	54,471	(101,490)
Related party receivables and deposits	(631,825)	2,524	(631,825)
Inventories	101,602	(1,245,296)	(2,367,521)
Prepaid expenses and other current assets	(115,326)	65,380	(501,950)
Accounts payable	(186,372)	(813,435)	472,462
Related party payable	—	(54,037)	—
Accrued expenses	136,553	(436,349)	1,256,057
Deferred revenue	—	(250,705)	—
Warranty reserve	10,918	8,973	37,578
Net cash used in operating activities	(12,826,979)	(17,061,048)	(84,739,613)
Investing Activities:			
Purchases of available-for-sale securities	(638,572)	(26,244,858)	(907,118,827)
Maturities and sales of available-for-sale securities	13,253,650	26,505,366	907,118,828
Purchase of property, plant and equipment	(5,363,111)	(9,077,497)	(133,917,907)
Restricted cash for manufacturing equipment	1,427,053	1,786,653	—
Patent activity costs	(73,657)	(63,312)	(385,733)
Net cash provided by (used in) investing activities	8,605,363	(7,093,648)	(134,303,639)
Financing Activities:			
Proceeds from bridge loan financing	—	—	1,600,000
Repayment of bridge loan financing	—	—	(1,600,000)
Payment of debt financing costs	—	—	(273,565)
Payment of equity offering costs	—	—	(10,302,040)
Proceeds from debt	—	—	7,700,000
Repayment of debt	(584,506)	(522,752)	(2,121,377)
Proceeds from shareholder under Section 16(b)	—	—	148,109
Proceeds from issuance of stock and warrants	12,080,536	7,241,727	242,513,552

Redemption of Class A warrants	—	—	(48,128)
Net cash provided by financing activities	11,496,030	6,718,975	237,616,551
Net change in cash and cash equivalents	7,274,414	(17,435,721)	18,573,299
Cash and cash equivalents at beginning of period	11,298,885	27,303,217	—
Cash and cash equivalents at end of period	$18,573,299	$9,867,496	$ 18,573,299
Non-Cash Transactions:			
ITN initial contribution of assets for equity	$—	$—	$ 31,200
Note with ITN and related capital expenditures	$—	$—	$ 1,100,000

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

ASCENT SOLAR TECHNOLOGIES, INC.
(A Development Stage Company)
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION

Ascent Solar Technologies, Inc. ("Ascent" or "the Company") was incorporated on October 18, 2005 from the separation by ITN Energy Systems, Inc. ("ITN") of its Advanced Photovoltaic Division and all of that division's key personnel and core technologies. ITN, a private company incorporated in 1994, is an incubator dedicated to the development of thin-film, photovoltaic ("PV"), battery, fuel cell and nano technologies. Through its work on research and development contracts for private and governmental entities, ITN developed proprietary processing and manufacturing know-how applicable to PV products generally, and to Copper-Indium-Gallium-diSelenide ("CIGS") PV products in particular. ITN formed Ascent to commercialize its investment in CIGS PV technologies. In January 2006, in exchange for 1,028,000 shares of common stock of Ascent, ITN assigned to Ascent certain CIGS PV technologies and trade secrets and granted to Ascent a perpetual, exclusive, royalty-free worldwide license to use, in connection with the manufacture, development, marketing and commercialization of CIGS PV to produce solar power, certain of ITN's existing and future proprietary and control technologies that, although non-specific to CIGS PV, Ascent believes will be useful in its production of PV modules for its target markets. Upon receipt of the necessary government approvals and pursuant to novation in early 2007, ITN assigned government-funded research and development contracts to Ascent and also transferred the key personnel working on the contracts to Ascent.

NOTE 2. BASIS OF PRESENTATION

The Company's activities to date have consisted substantially of raising capital, research and development, and establishment of its production plant. Revenues to date have been primarily generated from the Company's governmental research and development contracts and have not been significant. The Company's planned principal operations to commercialize flexible PV modules have commenced, but have generated limited revenue to date. Accordingly, the Company is considered to be in the development stage and has provided additional disclosure of inception to date activity in the Condensed Statements of Operations and Comprehensive Income (Loss) and Condensed Statements of Cash Flows.

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these interim financial statements do not include all of the information and footnotes typically found in U.S. GAAP audited annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. The Condensed Balance Sheet at December 31, 2011 has been derived from the audited financial statements as of that date but does not include all of the information and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. These condensed financial statements and notes should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for the nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies were described in Note 3 to the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes to these policies and no recent accounting pronouncements or changes in accounting pronouncements during the nine months ended September 30, 2012 that are of significance or potential significance to the Company.

NOTE 4. LIQUIDITY AND CONTINUED OPERATIONS

As of September 30, 2012, the Company had $18.6 million in cash and working capital of $19.1 million. During the nine months ended September 30, 2012, the Company sold 1,972,181 shares of common stock under its At-The-Market facility for aggregate net proceeds of $1.9 million. In September 2012 the Company completed a firm commitment offering for 9,166,700 shares of common stock and received net proceeds of $10.2 million. As discussed in Note 2, the Company is in the development stage and is currently incurring significant losses from operations as it works toward commercialization. The

Table of Contents

Company made cash payments of $5.4 million in the nine months ended September 30, 2012 for property, plant and equipment. The Company has remaining obligations for equipment purchases in the amount of $0.6 million, of which $0.4 million is recorded in “Accrued property, plant and equipment”.

The Company has commenced limited production at its manufacturing facility. The Company does not expect that sales revenue and cash flows will be sufficient to support operations and cash requirements until it has fully implemented its new strategy. Changes in the level of expected operating losses, the timing of planned capital expenditures or other factors may negatively impact cash flows and reduce current cash and investments faster than anticipated. The Company expects the current cash balance to be sufficient to cover planned capital and operational expenditures through 2013 based on currently known factors and limited projected revenues, and absent new cost reduction initiatives. However, the Company may need to raise additional capital in the future. There is no assurance that the Company will be able to raise additional capital on acceptable terms or at all.

On April 11, 2012, the Company received notice from The NASDAQ Stock Market (“Nasdaq”) stating that because the Company had not regained compliance with the $1.00 minimum bid price requirement for continued listing, the Company's common stock (listed on The Nasdaq Global Market) would be subject to delisting. On August 17, 2012, the Company received notification from The Nasdaq Listing Qualifications department that the Company had regained compliance with the minimum bid price requirement, and that the Company's noncompliance had been rectified.

NOTE 5. RESTRICTED CASH

From time to time the Company establishes irrevocable letters of credit with its bank, collateralized by interest bearing accounts, in favor of equipment vendors. As of December 31, 2011, $1.4 million was restricted under letters of credit. No amounts were restricted as of September 30, 2012. Amounts restricted under letters of credit are classified as "Restricted cash" under "Other Assets" in the Condensed Balance Sheets.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant and equipment as of September 30, 2012 and December 31, 2011:

	As of September 30, 2012	As of December 31, 2011
Building	$5,820,734	$ 5,762,935
Furniture, fixtures, computer hardware and computer software	339,820	339,820
Manufacturing machinery and equipment	33,133,276	29,673,297
Leasehold improvements	884,709	884,709
Net depreciable property, plant and equipment	40,178,539	36,660,761
Manufacturing machinery and equipment in progress	3,649,759	236,770
Property, plant and equipment	43,828,298	36,897,531
Less: Accumulated depreciation and amortization	(12,423,385)	(7,964,875)
Net property, plant and equipment	$31,404,913	$ 28,932,656

The Company analyzes its long-lived assets for impairment, both individually and as a group, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. During the quarter ended June 30, 2011, an impairment charge in the amount of approximately $74.5 million was taken against Property, Plant and Equipment. This impairment, combined with a charge of approximately $3.5 million taken against Deposits on manufacturing equipment, resulted in a total write-down of $78.0 million in the quarter ended June 30, 2011. This write-down resulted in net assets of approximately $32.2 million being recorded at fair value as of June 30, 2011. The fair value measurement for these assets relied primarily on Company-specific inputs and the Company’s assumptions about the use of the assets, as observable inputs were not available. Accordingly, the Company determined that these fair value measurements reside primarily within Level 3 of the fair value hierarchy.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and

Table of Contents

minimize the use of unobservable inputs. The Company uses fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Depreciation expense for the three months ended September 30, 2012 and 2011 was $1,578,175 and $1,370,140, respectively, and for the nine months ended September 30, 2012 and 2011 was $4,648,046 and $6,137,788, respectively. Depreciation expense is recorded under "Research and development" expense and "Selling, general and administrative" expense in the Condensed Statements of Operations.

The Company incurred and capitalized interest costs related to the manufacturing facility building loan as follows during the nine months ended September 30, 2012 and 2011:

	For the nine months ended September 30,	
	2012	2011
Interest cost incurred	$338,515	$350,268
Interest cost capitalized	(177,309)	(290,203)
Interest expense, net	$161,206	$60,065

NOTE 7. INVENTORIES

Inventories consisted of the following at September 30, 2012 and December 31, 2011:

	As of September 30, 2012	As of December 31, 2011
Raw materials	$1,915,983	$ 2,411,403
Work in process	266,951	20,812
Finished goods	184,587	36,908
Total	$2,367,521	$ 2,469,123

NOTE 8. DEBT

On February 8, 2008, the Company acquired a manufacturing and office facility in Thornton, Colorado, for approximately $5.5 million. The purchase was financed by a promissory note, deed of trust and construction loan agreement (the "Construction Loan") with the Colorado Housing and Finance Authority ("CHFA"), which provided the Company borrowing availability of up to $7.5 million for the building and building improvements. The Construction Loan terms required payments of interest at 6.6% on the outstanding balance. In 2009, the Construction Loan was converted to a permanent loan pursuant to a Loan Modification Agreement between the Company and CHFA (the "Permanent Loan"). The Permanent Loan has an interest rate of 6.6% and the principal will be amortized through its term to January 2028. The Company will incur a prepayment penalty if the Permanent Loan is prepaid prior to December 31, 2015. Further, pursuant to certain negative covenants in the Permanent Loan, the Company may not, among other things, without CHFA's prior written consent (which by the terms of the deed of trust is subject to a reasonableness requirement): create or incur additional indebtedness (other than obligations created or incurred in the ordinary course of business); merge or consolidate with any other entity; or make loans or advances to the Company's officers, shareholders, directors or employees.

On January 7, 2010, the Company and ITN entered into an equipment purchase agreement whereby the Company purchased seven research and development vacuum and deposition chambers for $1,100,000 from ITN. Payments in the amount of $350,000 were remitted to ITN in January 2010 and January 2011. A final payment, without interest, in the amount of $400,000 was remitted in January 2012.

Table of Contents

As of September 30, 2012, future principal payments on long-term debt are due as follows:

2012	$63,553
2013	264,935
2014	282,960
2015	302,210
2016	322,771
Thereafter	5,442,194
	$6,678,623

NOTE 9. STOCKHOLDERS’ EQUITY

At September 30, 2012, the Company’s authorized capital stock consisted of 125,000,000 shares of common stock, $0.0001 par value, and 25,000,000 shares of preferred stock, $0.0001 par value. Each share of common stock has the right to one vote.

Preferred stock, $0.0001 par value per share, may be issued in classes or series. Designations, powers, preferences, rights, qualifications, limitations and restrictions are determined by the Company’s Board of Directors.

In January 2012, the Company announced that TFG Investment Group Ltd. ("TFG Radiant") had agreed to purchase 8,067,390 shares of the Company's common stock owned by Norsk Hydro Produksjon AS ("Norsk Hydro") for $4 million, or approximately $0.50 per share. The TFG Radiant purchase closed on March 30, 2012. As of September 30, 2012, TFG Radiant's ownership was approximately 31% of the Company's outstanding Common Stock.

In January 2012, the Company entered into an At-The-Market Equity Offering Sales Agreement under which the Company may issue and sell up to $5,000,000 of shares of its common stock from time to time. Sales of common stock, if any, will be made at market prices by any method that is deemed to be an “at the market” offering as defined in Rule 415 under the Securities Act, including sales made directly on the NASDAQ stock exchange and any other trading market for the Company’s common stock, and sales to or through a market maker other than on an exchange. The aggregate compensation payable to the sales agent shall be equal to 3% of the gross sales price of the shares sold. As of September 30, 2012, 1,972,181 shares had been sold under this facility with net proceeds of $1.9 million.

On September 19, 2012, the Company entered into an underwriting agreement with Aegis Capital Corp., providing for the sale, in a firm commitment offering, of 9,166,700 shares of the Company’s common stock, par value $0.0001 per share, at a price to the public of $1.20 per share. The Offering closed on September 25, 2012. Net proceeds were $10.2 million after deducting the underwriting discount and offering expenses payable by the Company of approximately $825,000. In addition, the Underwriting Agreement provides the Underwriters a 45-day option to purchase up to an additional 1,375,005 shares from the Company at a price of $1.20 per share. If exercised this option is expected to yield net proceeds of $1.5 million after deducting the underwriting discount and offering expenses payable by the Company in the amount of $107,000.

As of September 30, 2012, the Company had 51,008,535 shares of common stock and no shares of preferred stock outstanding. The Company has not declared or paid any dividends through September 30, 2012.

NOTE 10. EQUITY PLANS AND SHARE-BASED COMPENSATION

Share-Based Compensation: The Company measures share-based compensation cost at the grant date based on the fair value of the award and recognizes this cost as an expense over the grant recipients’ requisite service periods for all awards made to employees, officers, directors and consultants.

The share-based compensation expense recognized in the Condensed Statements of Operations was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Share-based compensation cost included in:				

Research and development	$82,623	$—	$252,800	$227,042
Selling, general and administrative	127,039	178,224	508,551	1,052,474
Total share-based compensation cost	$209,662	$178,224	$761,351	$1,279,516

Table of Contents

The following table presents share-based compensation expense by type:

	For the three months ended September 30, 2012	For the nine months ended September 30,