

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

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 15, 2022

WaveDancer, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-22405
(Commission File Number)

54-1167364
(IRS Employer
Identification No.)

12015 Lee Jackson Memorial Highway, Ste 210
Fairfax, VA 22033

(Address of principal executive offices, including zip code)

703-383-3000
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock | WAVD | The Nasdaq Stock Market, LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On August 15, 2022, WaveDancer, Inc. issued a press release announcing its financial results for the three months and six months ended June 30, 2022. A copy of this press release is attached as Exhibit 99.1 and incorporated by reference herein.

The attached press release includes non-GAAP financial measures relating to our results of operations and reconciliations of these non-GAAP measures to GAAP measures, as well as an explanation of how management uses these non-GAAP measures and the reasons why management views these measures as providing useful information for investors. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to these results should be carefully evaluated.

The information in Item 2.02 of this Report and the press release attached hereto as Exhibit 99.1 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01 Financial Statement and Exhibits

Press Release dated August 15, 2022, captioned: "WaveDancer Releases Second Quarter 2022 Results – \$500,000 of Revenue Recognized from Blockchain Platform Development as Company Nears Full Production; Revenue up 44% from First Quarter."

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | WAVD Press Release dated August 15, 2022 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WaveDancer, Inc.

Date: August 15, 2022

By: /s/ Timothy G. Hannon
Timothy G. Hannon
Chief Financial Officer



WaveDancer Releases Second Quarter 2022 Results

\$500,000 of Revenue Recognized from Blockchain Platform Development as Company Nears Full Production; Revenue up 44% from First Quarter

FAIRFAX, VA, August 15, 2022 – WaveDancer (NASDAQ: WAVD), reported its results for the second quarter ended June 30, 2022, which was characterized by continued investment in its software development team and strategic efforts focused on maintaining and growing profitability in the Company’s professional services work. The Company recognized significant revenues after achieving substantial project milestones on their key United States government contract to bring a blockchain-enabled supply chain and logistics platform into full production.

WaveDancer CEO Jamie Benoit commented, “The various investments we have made in WaveDancer are helping establish a strong foundation for growth. Our revenue has increased 44% from first quarter levels, while our gross profit has increased by 147%, in part due to the significant revenue recognized by our United States Government contracts. As we drive aggressively toward Authority to Operate our supply chain platform with our government customer, we are simultaneously readying our Maverix product for the broader commercial markets.”

Mr. Benoit continued, “Our focus on higher margin professional service opportunities, which resulted in our second quarter gross margin expanding to 30.9%, will continue in following quarters and establish a strong foundation upon which we can continue with our long-term strategic transformation into a leading technology company. I am optimistic, based on the strong interest we are hearing from customers, that our blockchain offering meets a large demand in the marketplace and am likewise optimistic about acquisition opportunities that will be immediately accretive.”

WaveDancer CFO Tim Hannon added, “The increase in expenses this quarter, in comparison to last year, was driven in part by one-time professional fees and other costs to conduct due diligence related to our intended acquisition of Knowmadics. The dramatic change in market sentiment during the first half of 2022 that made closing the transaction impossible was unfortunate, but ultimately in the best interests of our shareholders. Our strategic focus on profitability and investment in product development will ultimately allow us to emerge stronger and better positioned for the massive growth we expect in the blockchain and zero trust sector.”

Second Quarter 2022 Key Financial Items (all comparisons to prior year period unless otherwise noted)

- Total revenues decreased 8.8% to \$4.3 million, compared with \$4.7 million.
 - Professional fees decreased 14.5% to \$2.8 million down from \$3.3 million.
 - Gross profit decreased slightly to \$0.93 million, compared with \$0.96 million.
 - Gross margin expanded to 30.9%; higher-margin professional fees accounted for 65.9% of revenues.
 - Net loss of \$(1.5) million, compared with net income of \$0.04 million.
 - Adjusted EBITDA of (\$1.4) million, compared with \$0.6 million
-

Six Months 2022 Key Financial Items (all comparisons to prior year period unless otherwise noted)

- Total revenues decreased to \$7.3 million, compared with \$8.2 million.
- Professional fees decreased to \$4.9 million down from \$5.8 million
- Gross margin improved significantly, increasing to 25.1%, compared with 24.2%; higher-margin professional fees accounted for 67.2% of revenues.
- Net loss of (\$3.6) million, compared with a net income of \$0.3 million
- Adjusted EBITDA of (\$3.0) million, compared with \$0.05 million.

About WaveDancer

WaveDancer (www.wavedancer.com), headquartered in Fairfax, Virginia, is a provider of zero trust software solutions, specializing in secure blockchain supply chain management (SCM), asset tracking and security. Our technologies are deployed and being used to help organizations manage very complex supply chain challenges. Initially developed to secure a complex international supply chain for a global U.S. Government (USG) national security organization, the technology has matured to address multiple operational capabilities. Customers are using the WaveDancer platform to gain unprecedented levels of accountability, auditability, and predictability from their data, while giving insights to their partners and suppliers through a controlled, distributed ledger that is immutable and can be trusted by all parties. The sophisticated blockchain technology is now available to the entirety of the USG through GovCloud.

Additional information for investors

This release may contain forward-looking statements regarding the Company's business, customer prospects, or other factors that may affect future earnings or financial results. Such statements involve risks and uncertainties which could cause actual results to vary materially from those expressed in the forward-looking statements. Investors should read and understand the risk factors detailed in the Company's 10-K for the fiscal year ended December 31, 2021 and in other filings with the Securities and Exchange Commission.

For additional information contact:

Jeremy Hellman, CFA
Vice President
The Equity Group
(212) 836-9626
jhellman@equityny.com

¹ Please see non-GAAP reconciliation on page 6

WAVEDANCER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Unaudited

| | Three Months Ended | |
|--|--------------------|--------------|
| | June 30, | |
| | 2022 | 2021 |
| Revenues | | |
| Professional fees | \$ 2,844,694 | \$ 3,328,274 |
| Software sales | 1,472,688 | 1,403,687 |
| Total revenues | 4,317,382 | 4,731,961 |
| Cost of revenues | | |
| Cost of professional fees | 1,965,611 | 2,397,895 |
| Cost of software sales | 1,421,990 | 1,378,138 |
| Total cost of revenues | 3,387,601 | 3,776,033 |
| Gross profit | 929,781 | 955,928 |
| Selling, general and administrative expenses | 3,240,388 | 819,193 |
| Acquisition costs | 356,159 | 82,756 |
| Change in fair value of contingent consideration | (942,609) | - |
| (Loss) income from operations | (1,724,157) | 53,979 |
| Other income (expense): | | |
| Interest expense | (19,818) | (15,226) |
| Other income (expense), net | 195 | 4,404 |
| (Loss) income before provision for income taxes | (1,743,780) | 43,157 |
| Income tax benefit | 218,338 | - |
| Net (loss) income | \$ (1,525,442) | \$ 43,157 |
| Comprehensive (loss) income | \$ (1,525,442) | \$ 43,157 |
| Basic (loss)/earnings per share | \$ (0.09) | \$ - |
| Diluted (loss)/earnings per share | \$ (0.09) | \$ - |
| Weighted average common shares outstanding | | |
| Basic | 17,376,697 | 11,980,397 |
| Diluted | 17,376,697 | 12,665,267 |

WAVEDANCER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Unaudited

| | Six Months Ended June 30, | |
|--|------------------------------|-------------------|
| | 2022 | 2021 |
| Revenues | | |
| Professional fees | \$ 4,911,384 | \$ 5,767,533 |
| Software sales | 2,401,510 | 2,384,008 |
| Total revenues | <u>7,312,894</u> | <u>8,151,541</u> |
| Cost of revenues | | |
| Cost of professional fees | 3,677,626 | 3,865,594 |
| Cost of software sales | 2,329,422 | 2,310,369 |
| Total cost of revenues | <u>6,007,048</u> | <u>6,175,963</u> |
| Gross profit | 1,305,846 | 1,975,578 |
| Selling, general and administrative expenses | 5,954,730 | 1,499,443 |
| Acquisition costs | 790,861 | 153,286 |
| Change in fair value of contingent consideration | (930,000) | - |
| (Loss) income from operations | (4,509,745) | 322,849 |
| Other income (expense): | | |
| Interest expense | (39,137) | (16,684) |
| Other income (expense), net | 789 | 7,807 |
| (Loss) income before provision for income taxes | (4,548,093) | 313,972 |
| Income tax benefit | 944,344 | - |
| Net (loss) income | <u>\$ (3,603,749)</u> | <u>\$ 313,972</u> |
| Comprehensive (loss) income | <u>\$ (3,603,749)</u> | <u>\$ 313,972</u> |
| Basic (loss)/earnings per share | <u>\$ (0.21)</u> | <u>\$ 0.03</u> |
| Diluted (loss)/earnings per share | <u>\$ (0.21)</u> | <u>\$ 0.03</u> |
| Weighted average common shares outstanding | | |
| Basic | <u>17,335,979</u> | <u>11,633,464</u> |
| Diluted | <u>17,335,979</u> | <u>12,305,182</u> |

WAVEDANCER, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | Unaudited June 30, 2022 | December 31, 2021 |
|--|----------------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 578,982 | \$ 4,931,302 |
| Accounts receivable | 3,583,136 | 1,664,862 |
| Prepaid expenses and other current assets | 298,179 | 276,990 |
| Total current assets | 4,460,297 | 6,873,154 |
| Intangible assets, net of accumulated amortization of \$900,818 and \$201,032 | | |
| Goodwill | 7,349,182 | 8,048,968 |
| Right-of-use operating lease asset | 7,585,269 | 7,585,269 |
| Property and equipment, net of accumulated depreciation and amortization of \$374,185 and \$347,886 | 582,500 | 672,896 |
| Other assets | 109,990 | 105,256 |
| Total assets | <u>\$ 20,164,338</u> | <u>\$ 23,362,643</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 1,546,945 | \$ 650,499 |
| Accrued payroll and related liabilities | 721,927 | 524,055 |
| Commissions payable | 250,227 | 224,250 |
| Other accrued liabilities | 562,428 | 204,080 |
| Contract liabilities | 165,843 | 186,835 |
| Operating lease liability- current | 199,553 | 192,128 |
| Total current liabilities | 3,446,923 | 1,981,847 |
| Operating lease liability - non-current | | |
| Deferred income taxes | 405,763 | 507,120 |
| Other liabilities | 223,160 | 1,167,504 |
| Total liabilities | 1,374,137 | 2,265,000 |
| Stockholders' equity | | |
| Common stock at \$0.001 and \$0.01 par value; 100,000,000 shares authorized, 19,039,313 and 18,882,313 shares issued, 17,396,697 and 17,239,697 shares outstanding, as of June 30,2022 and December 31, 2021, respectively | 19,039 | 18,882 |
| Additional paid-in capital | 32,666,239 | 31,789,464 |
| Accumulated deficit | (17,040,712) | (13,436,963) |
| Treasury stock, 1,642,616 shares at cost | (930,211) | (930,211) |
| Total stockholders' equity | 14,714,355 | 17,441,172 |
| Total liabilities and stockholders' equity | <u>\$ 20,164,338</u> | <u>\$ 23,362,643</u> |

Non-GAAP Financial Measures

In assessing the performance of our business, management utilizes a variety of financial and performance measures. The key measure is Adjusted EBITDA, a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) plus depreciation and amortization expense, net interest expense (income), and taxes, as further adjusted to eliminate the impact of, when applicable, expenses that are unusual or non-recurring that we believe do not reflect our core operating results, and non-cash stock-based compensation. We believe that Adjusted EBITDA is meaningful to our investors to enhance their understanding of our financial performance for the current period and our ability to generate cash flows from operations that are available for taxes, capital expenditures and debt service. We understand that Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties as a measure of financial performance and to compare our performance with the performance of other companies that report Adjusted EBITDA. Our calculation of Adjusted EBITDA, however, may not be comparable to similarly titled measures reported by other companies. When assessing our operating performance, investors and others should not consider this data in isolation or as a substitute for net income (loss) calculated in accordance with GAAP. Further, the results presented by Adjusted EBITDA cannot be achieved without incurring the costs that the measure excludes. A reconciliation of net income (loss) to Adjusted EBITDA, the most comparable GAAP measure, is provided below.

Reconciliation of Net (loss) income to Adjusted EBITDA (Unaudited)*(in thousands)*

| | Three months ended June 30, | | Six months ended June 30, | |
|-----------------------------------|--------------------------------|---------------|------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net (loss) income | \$ (1,525) | \$ 314 | \$ (3,604) | \$ 43 |
| Adjustments: | | | | |
| Interest expense (income), net | 20 | 11 | 38 | 9 |
| Income taxes | (218) | - | (944) | - |
| Depreciation | 13 | 7 | 26 | 12 |
| Amortization | 350 | - | 700 | 44 |
| EBITDA | (1,360) | 332 | (3,784) | 108 |
| Non-cash stock-based compensation | 530 | 112 | 842 | 140 |
| Acquisition Costs | 356 | 71 | 791 | 153 |
| Change in FV of earnout | (943) | - | (930) | - |
| Post-employment agreement | - | 36 | - | 71 |
| Moving expense | - | 8 | - | 8 |
| Adjusted EBITDA | \$ (1,417) | \$ 559 | \$ (3,081) | \$ 480 |