

Digimarc CORP
Form 10-Q
November 03, 2016

The co

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 September 30, 2016

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: 001-34108

DIGIMARC CORPORATION

(Exact name of registrant as specified in its charter)

Oregon 26-2828185
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)
9405 SW Gemini Drive, Beaverton, Oregon 97008

Edgar Filing: Digimarc CORP - Form 10-Q

(Address of principal executive offices) (Zip Code)

(503) 469-4800

(Registrant's telephone number, including area code)

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 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 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 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 (Do not check if a smaller reporting company) 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

As of October 27, 2016, there were 10,522,466 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

Table of Contents

PART I FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (Unaudited):</u>	3
	<u>Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015</u>	3
	<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015</u>	4
	<u>Consolidated Statements of Shareholders' Equity for the nine months ended September 30, 2016 and 2015</u>	5
	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	30
Item 4.	<u>Controls and Procedures</u>	30

PART II OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	31
Item 1A.	<u>Risk Factors</u>	31
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
Item 6.	<u>Exhibits</u>	32
	<u>SIGNATURES</u>	33

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
DIGIMARC CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

(UNAUDITED)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,647	\$ 3,160
Marketable securities	29,819	33,027
Trade accounts receivable, net	2,521	4,616
Other current assets	1,924	1,487
Total current assets	58,911	42,290
Marketable securities	11,842	2,999
Property and equipment, net	3,443	3,010
Intangibles, net	6,459	6,613
Goodwill	1,114	1,114
Other assets	394	338
Total assets	\$ 82,163	\$ 56,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,487	\$ 1,657
Deferred revenue	1,605	3,023
Total current liabilities	3,092	4,680
Deferred rent and other long-term liabilities	949	226
Total liabilities	4,041	4,906
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock (par value \$0.001 per share, 2,500 authorized, 10 shares issued and outstanding at September 30, 2016 and December 31, 2015)	50	50
Common stock (par value \$0.001 per share, 50,000 authorized, 10,509 and 8,919 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively)	11	9