

RIMAGE CORP  
Form 10-Q  
May 08, 2012  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 10-Q**

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(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **March 31, 2012**; 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: 000-20728**

**RIMAGE CORPORATION**

(Exact name of registrant as specified in its charter)

**Minnesota**

(State or other jurisdiction of incorporation or organization)

**41-1577970**

(I.R.S. Employer Identification No.)

**7725 Washington Avenue South, Edina, MN 55439**

(Address of principal executive offices)

**952-944-8144**

(Registrant's telephone number,  
including area code)

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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 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes x No o**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act):

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**Large Accelerated Filer**  **Accelerated Filer**  **Non-Accelerated Filer**  **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**

Common Stock outstanding at April 30, 2012 10,135,119 shares of \$.01 par value Common Stock.

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FOR THE QUARTER ENDED MARCH 31, 2012**

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**RIMAGE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(unaudited - in thousands, except share data)

| Assets   | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| Current assets:  |                   |                      |
| Cash and cash equivalents  | \$ 66,786         | \$ 70,161            |
| Receivables, net of allowance for doubtful accounts and sales returns of \$226 and \$219, respectively                     | 12,018            | 15,496               |
| Inventories  | 7,160             | 6,198                |
| Prepaid expenses and other current assets  | 4,337             | 3,051                |
| Deferred income taxes - current  | 3,517             | 3,531                |
| Total current assets   | 93,818            | 98,437               |
| Property and equipment, net of accumulated depreciation and amortization of \$12,776 and \$12,221, respectively            | 6,892             | 6,177                |
| Intangible assets, net of amortization of \$1,220 and \$705, respectively  | 18,728            | 19,238               |
| Goodwill   | 22,218            | 22,218               |
| Deferred income taxes - non-current  | 8,783             | 8,589                |
| Other assets - non-current   | 3,081             | 3,001                |
| Total assets   | \$ 153,520        | \$ 157,660           |
| Liabilities and Stockholders' Equity   |                   |                      |
| Current liabilities:   |                   |                      |
| Trade accounts payable   | \$ 5,151          | \$ 5,469             |
| Accrued compensation   | 3,920             | 5,231                |
| Other accrued expenses   | 1,100             | 916                  |
| Deferred income and customer deposits  | 7,547             | 8,492                |
| Other current liabilities  | 63                | 48                   |
| Total current liabilities  | 17,781            | 20,156               |
| Long-term liabilities:   |                   |                      |
| Deferred income - non-current  | 5,213             | 4,769                |
| Income taxes payable - non-current   | 97                | 96                   |
| Other non-current liabilities  | 887               | 339                  |
| Total long-term liabilities  | 6,197             | 5,204                |
| Total liabilities  | 23,978            | 25,360               |
| Commitments and contingencies  |                   |                      |
| Stockholders' equity:  |                   |                      |
| Rimage stockholders' equity:   |                   |                      |
| Preferred stock, \$.01 par value, authorized 250,000 shares, no shares issued and outstanding                              |                   |                      |
| Common stock, \$.01 par value, authorized 29,750,000 shares, issued and outstanding 10,203,426 and 10,203,734 respectively | 102               | 102                  |
| Additional paid-in capital   | 55,442            | 54,835               |
| Retained earnings  | 73,432            | 76,875               |
| Accumulated other comprehensive income   | 268               | 128                  |
| Total Rimage stockholders' equity  | 129,244           | 131,940              |
| Noncontrolling interest  | 298               | 360                  |
| Total stockholders' equity   | 129,542           | 132,300              |
| Total liabilities and stockholders' equity   | \$ 153,520        | \$ 157,660           |

See accompanying notes to condensed consolidated financial statements.



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**RIMAGE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
(unaudited - in thousands, except per share data)

|  | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2012                            | 2011      |
| Revenues:  |                                 |           |
| Product  | \$ 15,399                       | \$ 18,781 |
| Service  | 4,062                           | 2,675     |
| Total revenues                                       | 19,461                          | 21,456    |
| Cost of revenues:                                    |                                 |           |
| Product  | 7,588                           | 9,209     |
| Service  | 2,300                           | 1,463     |
| Total cost of revenues                               | 9,888                           | 10,672    |
| Gross profit   | 9,573                           | 10,784    |
| Operating expenses:                                  |                                 |           |
| Research and development                             | 3,105                           | 1,552     |
| Selling, general and administrative                  | 9,196                           | 6,906     |
| Amortization of purchased intangibles                | 247                             |           |
| Total operating expenses                             | 12,548                          | 8,458     |
| Operating income (loss)                              | (2,975)                         | 2,326     |
| Other income (expense):                              |                                 |           |
| Interest, net  | 2                               | 67        |
| Loss on currency exchange                            | (72)                            | (33)      |
| Other, net   | 2                               |           |
| Total other income (expense), net                    | (68)                            | 34        |
| Income (loss) before income taxes                    | (3,043)                         | 2,360     |
| Income tax expense (benefit)                         | (1,274)                         | 877       |
| Net income (loss)                                    | (1,769)                         | 1,483     |
| Net loss attributable to the noncontrolling interest | 64                              | 15        |
| Net income (loss) attributable to Rimage             | \$ (1,705)                      | \$ 1,498  |
| Net income (loss) per basic share                    | \$ (0.17)                       | \$ 0.16   |
| Net income (loss) per diluted share                  | \$ (0.17)                       | \$ 0.16   |
| Basic weighted average shares outstanding            | 10,217                          | 9,494     |
| Diluted weighted average shares outstanding          | 10,217                          | 9,543     |

See accompanying notes to condensed consolidated financial statements.

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**RIMAGE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Income**  
(unaudited - in thousands, except per share data)

|  | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2012                            | 2011     |
| Net income (loss)  | \$ (1,769)                      | \$ 1,483 |
| Other comprehensive income:  |                                 |          |
| Net changes in:  |                                 |          |
| Foreign currency translation adjustments   | 140                             | 375      |
| Change in net unrealized gain on marketable securities, net of tax                   |                                 | (25)     |
| Total other comprehensive income   | 140                             | 350      |
| Total comprehensive income (loss)  | (1,629)                         | 1,833    |
| Net loss attributable to the noncontrolling interest                                 | (64)                            | (15)     |
| Foreign currency translation adjustments attributable to the noncontrolling interest | 2                               | 3        |
| Comprehensive loss attributable to the noncontrolling interest                       | (62)                            | (12)     |
| Comprehensive income (loss) attributable to Rimage                                   | \$ (1,567)                      | \$ 1,845 |

See accompanying notes to condensed consolidated financial statements.

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**RIMAGE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited - in thousands)

|  | Three Months Ended<br>March 31, |          |
|--|---------------------------------|----------|
|  | 2012                            | 2011     |
| Cash flows from operating activities:  |                                 |          |
| Net income (loss)  | \$ (1,769)                      | \$ 1,483 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                                 |          |
| Depreciation and amortization  | 1,085                           | 621      |
| Deferred income tax benefit  | (202)                           | (175)    |
| Loss on disposal of property and equipment   | 23                              | 1        |
| Stock-based compensation   | 622                             | 469      |
| Excess tax benefits from stock-based compensation  |                                 | (11)     |
| Changes in operating assets and liabilities:   |                                 |          |
| Receivables  | 3,713                           | 679      |
| Inventories  | (938)                           | (1,639)  |
| Prepaid income taxes / income taxes payable  | (1,260)                         | (446)    |
| Prepaid expenses and other current assets  | (282)                           | (62)     |
| Trade accounts payable   | (407)                           | 659      |
| Accrued compensation   | (1,335)                         | (1,031)  |
| Other accrued expenses and other current liabilities                                     | 47                              | (59)     |
| Deferred income and customer deposits  | (514)                           | 2,627    |
| Other long-term liabilities  | 551                             |          |
| Net cash provided by (used in) operating activities                                      | (666)                           | 3,116    |
| Cash flows from investing activities:  |                                 |          |
| Purchase of cost method investment   |                                 | (2,000)  |
| Purchases of property and equipment  | (1,030)                         | (485)    |
| Proceeds from sale of property and equipment   | 2                               |          |
| Net cash used in investing activities  | (1,028)                         | (2,485)  |
| Cash flows from financing activities:  |                                 |          |
| Payment of dividends   | (1,738)                         |          |
| Principal payments on capital lease obligations  | (4)                             | (5)      |
| Excess tax benefits from stock-based compensation  |                                 | 11       |
| Proceeds from employee stock plans   |                                 | 158      |
| Net cash provided by (used in) financing activities                                      | (1,742)                         | 164      |
| Effect of exchange rate changes on cash  | 61                              | 156      |
| Net increase (decrease) in cash and cash equivalents                                     | (3,375)                         | 951      |
| Cash and cash equivalents, beginning of period   | 70,161                          | 107,982  |
| Cash and cash equivalent   |                                 |          |