

Digimarc CORP
Form 10-Q
October 30, 2009

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**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, 2009

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)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-2828185
(I.R.S. Employer Identification No.)

9405 SW Gemini Drive, Beaverton, Oregon 97008
(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):

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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 26, 2009, there were 7,256,200 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

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	Successor September 30, 2009	Successor December 31, 2008(1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,685	\$ 18,928
Marketable securities	30,760	21,240
Trade accounts receivable, net	3,027	3,839
Other current assets	1,001	875
Total current assets	45,473	44,882
Marketable securities	2,087	5,744
Property and equipment, net	1,180	1,212
Intangibles, net	1,088	456
Other assets, net	544	147
Total assets	\$ 50,372	\$ 52,441
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 767	\$ 937
Accrued payroll and related costs	246	42
Accrued merger related liabilities	144	386
Deferred revenue	1,716	2,418
Total current liabilities	2,873	3,783
Long-term liabilities	134	257
Total liabilities	3,007	4,040
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock (10,000 shares issued and outstanding at September 30, 2009 and December 31, 2008)	50	50
Common stock (7,256,200 and 7,279,442 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively)	7	7
Additional paid-in capital	49,406	48,268
Retained earnings (accumulated deficit)	(2,098)	76
Total stockholders' equity	47,365	48,401

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Total liabilities and stockholders' equity	\$	50,372	\$	52,441
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(1)

Derived from the Company's December 31, 2008 audited financial statements

See Notes to Unaudited Financial Statements.

Table of Contents**DIGIMARC CORPORATION****STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(UNAUDITED)**

	Successor Three Months Ended September 30, 2009	Successor Period August 2, 2008 through September 30, 2008	Predecessor Period July 1, 2008 through August 1, 2008
Revenue:			
Service	\$ 2,827	\$ 1,645	\$ 921
License and subscription	1,942	1,536	829
Total revenue	4,769	3,181	1,750
Cost of revenue:			
Service	1,499	890	527
License and subscription	42	44	25
Total cost of revenue	1,541	934	552
Gross profit	3,228	2,247	1,198
Operating expenses:			
Sales and marketing	753	390	589
Research, development and engineering	1,191	780	239
General and administrative	1,566	932	442
Intellectual property	262	120	176
Transitional services	(45)	(196)	
Total operating expenses	3,727	2,026	1,446
Operating income (loss)	(499)	221	(248)
Other income (expense), net	(185)	179	75
Income (loss) before provision for income taxes	(684)	400	(173)
Provision for income taxes	(3)		
Net income (loss)	\$ (687)	\$ 400	\$ (173)
Earnings (loss) per share:			
Net income (loss) per share basic	\$ (0.10)	\$ 0.06	
Net income (loss) per share diluted	\$ (0.10)	\$ 0.06	
Weighted average shares outstanding basic	7,134	7,143	
Weighted average shares outstanding diluted	7,134	7,143	
Pro-forma loss per share:			
Net loss per share basic			\$ (0.02)
Net loss per share diluted			\$ (0.02)

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Weighted average shares outstanding basic	7,143
Weighted average shares outstanding diluted	7,143

See Notes to Unaudited Financial Statements.

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	Successor	Successor	Predecessor
	Nine	Period	Period
	Months	August 2,	January 1,
	Ended	2008	2008
	September 30,	through	through
	2009	September 30,	August 1,
	2009	2008	2008
Revenue:			
Service	\$ 7,882	\$ 1,645	\$ 6,456
License and subscription	5,640	1,536	5,494
Total revenue	13,522	3,181	11,950
Cost of revenue:			
Service	4,396	890	3,519
License and subscription	158	44	145
Total cost of revenue	4,554	934	3,664
Gross profit	8,968	2,247	8,286
Operating expenses:			
Sales and marketing	2,226	390	1,928
Research, development and engineering	3,679	780	2,071
General and administrative	4,750		