

Digimarc CORP
Form 10-Q
October 27, 2017

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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, 2017

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

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(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, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth 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

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.

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 23, 2017, there were 11,329,154 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
DIGIMARC CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

(UNAUDITED)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,599	\$ 11,638
Marketable securities	35,288	44,496
Trade accounts receivable, net	7,030	5,078
Other current assets	2,177	1,695
Total current assets	70,094	62,907
Marketable securities	—	4,392
Property and equipment, net	4,273	3,570
Intangibles, net	6,369	6,422
Goodwill	1,114	1,114
Other assets	311	331
Total assets	\$ 82,161	\$ 78,736
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 2,071	\$ 1,523
Deferred revenue	1,717	2,923
Total current liabilities	3,788	4,446
Deferred rent and other long-term liabilities	989	956
Total liabilities	4,777	5,402
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, 2017 and December 31, 2016)	50	50
Common stock (par value \$0.001 per share, 50,000 authorized, 11,324 and	11	11

10,523 shares issued and outstanding at September 30, 2017 and December 31, 2016,

respectively)

Additional paid-in capital	142,461	120,985
Accumulated deficit	(65,138)	(47,712)
Total shareholders' equity	77,384	73,334
Total liabilities and shareholders' equity	\$ 82,161	\$ 78,736

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

DIGIMARC CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(UNAUDITED)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenue:				
Service	\$ 2,986	\$ 3,252	\$ 9,935	\$ 9,650
Subscription	1,306	1,417	4,171	4,374
License	4,385	907	6,249	2,589
Total revenue	8,677	5,576	20,355	16,613
Cost of revenue:				
Service	1,332	1,455	4,431	4,288
Subscription	611	600	1,701	1,856
License	129	107	369	302
Total cost of revenue	2,072	2,162	6,501	6,446
Gross profit	6,605	3,414	13,854	10,167
Operating expenses:				
Sales and marketing	4,075	2,945	12,064	