

Digimarc CORP  
Form 10-Q  
April 26, 2018

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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 March 31, 2018

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 April 20, 2018, there were 11,847,280 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)

	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 48,449	\$ 40,823
Marketable securities	15,219	26,915
Trade accounts receivable, net	3,790	6,404
Other current assets	1,888	2,171
Total current assets	69,346	76,313
Property and equipment, net	4,103	4,236
Intangibles, net	6,478	6,381
Goodwill	1,114	1,114
Other assets	324	326
Total assets	\$ 81,365	\$ 88,370
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,464	\$ 1,914
Deferred revenue	2,839	3,124
Total current liabilities	4,303	5,038
Deferred rent and other long-term liabilities	941	985
Total liabilities	5,244	6,023
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock (par value \$0.001 per share, 2,500 authorized, 10 shares		
issued and outstanding at March 31, 2018 and December 31, 2017)	50	50
Common stock (par value \$0.001 per share, 50,000 authorized, 11,847 and		
11,651 shares issued and outstanding at March 31, 2018 and December 31, 2017,		
respectively)	12	12
Additional paid-in capital	157,540	155,793

Accumulated deficit	(81,481 )	(73,508 )
Total shareholders' equity	76,121	82,347
Total liabilities and shareholders' equity	\$ 81,365	\$ 88,370

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 March 31, 2018	Three Months Ended March 31, 2017
Revenue:		
Service	\$ 3,507	\$ 3,696
Subscription	1,578	1,445
License	528	950
Total revenue	5,613	6,091
Cost of revenue:		
Service	1,563	1,635
Subscription	482	556
License	140	118
Total cost of revenue	2,185	2,309
Gross profit	3,428	3,782
Operating expenses:		
Sales and marketing	4,887	3,992
Research, development and engineering	3,947	3,459
General and administrative	2,632	2,385
Intellectual property	315	392
Total operating expenses	11,781	10,228
Operating loss	(8,353 )	(6,446 )
Other income, net	252	118
Loss before income taxes	(8,101 )	(6,328 )
Benefit (provision) for income taxes	(11 )	110
Net loss	\$ (8,112 )	\$ (6,218 )
Earnings (loss) per common share:		
Loss per common share — basic	\$ (0.72 )	\$ (0.61 )
Loss per common share — diluted	\$ (0.72 )	\$ (0.61 )