

EMAGIN CORP
Form 10-Q
November 12, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

REGULAR QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2013

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 001-15751

eMAGIN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

56-1764501
(I.R.S. Employer
Identification No.)

3006 Northup Way, Suite 103, Bellevue, Washington 98004
(Address of principal executive offices)

(425) 284-5200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.001 Par Value Per Share

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

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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 (§232.405 of this chapter) during the preceding 12 months). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act) Yes No

The number of shares of common stock outstanding as of October 31, 2013 was 23,878,300.

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ITEM 1. Condensed Consolidated Financial Statements

eMAGIN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,811	\$ 4,385
Investments	8,000	8,520
Accounts receivable, net	3,850	5,154
Inventories, net	4,407	3,223
Prepaid expenses and other current assets	1,314	653
Total current assets	22,382	21,935
Long-term investments	250	500
Equipment, furniture and leasehold improvements, net	8,197	8,099
Other assets	28	124
Deferred tax asset	5,382	8,881
Total assets	\$ 36,239	\$ 39,539
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,258	\$ 955
Accrued expenses	2,408	2,548
Other current liabilities	359	409
Total current liabilities	4,025	3,912
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, \$.001 par value: authorized 10,000,000 shares:		
Series B Convertible Preferred stock, (liquidation preference of \$5,659,000) stated value \$1,000 per share, \$.001 par value: 10,000 shares designated and 5,659 issued and outstanding as of September 30, 2013 and December 31, 2012	—	—
Common stock, \$.001 par value: authorized 200,000,000 shares, issued and outstanding, 23,878,300 shares as of September 30, 2013 and 23,674,541 as of December 31, 2012	24	24
Additional paid-in capital	225,560	223,575
Accumulated deficit	(192,871)	(187,509)
Treasury stock, 162,066 shares as of September 30, 2013 and 150,000 shares as of December 31, 2012	(499)	(463)
Total shareholders' equity	32,214	35,627
Total liabilities and shareholders' equity	\$ 36,239	\$ 39,539

See notes to Condensed Consolidated Financial Statements.

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eMAGIN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue:				
Product	\$5,770	\$6,309	\$20,671	\$19,263
Contract	559	1,201	1,189	2,971
Total revenue, net	6,329	7,510	21,860	22,234
Cost of goods sold:				
Product	3,848	3,132	12,821	9,914
Contract	256	729	672	1,477
Total cost of goods sold	4,104	3,861	13,493	11,391
Gross profit	2,225	3,649	8,367	10,843
Operating expenses:				
Research and development	1,239	1,173	3,882	3,571
Selling, general and administrative	2,041	1,918	6,358	6,525
Total operating expenses	3,280	3,091	10,240	10,096
(Loss) income from operations	(1,055)	558	(1,873)	747
Other income (expense):				
Interest expense, net	(11)	(10)	(32)	(18)
Other income, net	9	13	45	32
Total other income (expense), net	(2)	3	13	14
(Loss) income before provision for income taxes	(1,057)	561	(1,860)	761
Provision for income taxes	3,502	221	3,502	295
Net (loss) income	\$(4,559)	\$340	\$(5,362)	\$466
Less net income allocated to participating securities	—	83	—	113
Net (loss) income allocated to common shares	\$(4,559)	\$257	\$(5,362)	\$353
(Loss) income per share, basic	\$(0.19)	\$0.01	\$(0.23)	\$0.02
(Loss) income per share, diluted	\$(0.19)	\$0.01	\$(0.23)	\$0.01
Weighted average number of shares outstanding:				
Basic	23,718,106	23,444,361	23,610,531	23,473,770
Diluted	23,718,106	25,393,035	23,610,531	25,360,864

See notes to Condensed Consolidated Financial Statements.

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eMAGIN CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)

	Nine Months Ended September 30,	
	2013	2012
	(unaudited)	
Cash flows from operating activities:		
Net (loss) income	\$ (5,362)	\$ 466
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	656	168
Reduction in provision for doubtful accounts	(1)	—
Amortization of bond premium	20	21
Inventory reserve	16	3
Stock-based compensation	1,645	1,959
Gain on sale of asset	(9)	—
Deferred income taxes	3,499	—
Changes in operating assets and liabilities:		
Accounts receivable	1,305	599
Inventories, net	(1,200)	(57)
Prepaid expenses and other current assets	(568)	77
Accounts payable, accrued expenses, and other current liabilities	113	267
Net cash provided by operating activities	114	3,503
Cash flows from investing activities:		
Purchase of equipment	(757)	(1,090)
Proceeds from sale of asset	15	—
Maturities of investments	11,250	6,495
Purchase of investments		