

Monotype Imaging Holdings Inc.
Form 10-Q
July 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 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 001-33612

MONOTYPE IMAGING HOLDINGS INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State of incorporation)

20-3289482
(I.R.S. Employer

Identification No.)

500 Unicorn Park Drive

Woburn, Massachusetts
(Address of principal executive offices)

01801
(Zip Code)

Registrant's telephone number, including area code: (781) 970-6000

(Former Name, Former Address and Former Fiscal year, if changed since last report)

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 (§232.405 of this chapter) 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

The number of shares outstanding of the registrant's common stock as of July 22, 2013 was 38,783,502.

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MONOTYPE IMAGING HOLDINGS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited and in thousands, except share and per share data)**

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 51,669	\$ 39,340
Accounts receivable, net of allowance for doubtful accounts of \$154 at June 30, 2013 and \$129 at December 31, 2012	7,697	6,996
Income tax refunds receivable	3,845	2,209
Deferred income taxes	2,210	2,218
Prepaid expenses and other current assets	2,301	2,454
Total current assets	67,722	53,217
Property and equipment, net	2,422	2,587
Goodwill	173,668	174,294
Intangible assets, net	81,173	86,736
Other assets	3,093	3,232
Total assets	\$ 328,078	\$ 320,066
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 1,153	\$ 1,038
Accrued expenses and other current liabilities	16,244	17,319
Accrued income taxes		2,191
Deferred revenue	10,170	8,725
Current portion of long-term debt		10,000
Total current liabilities	27,567	39,273
Long-term debt, less current portion		12,321
Other long-term liabilities	702	613
Deferred income taxes	29,797	26,832
Reserve for income taxes, net of current portion	1,022	963
Accrued pension benefits	5,008	4,958
Commitments and contingencies (<i>Note 13</i>)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, Authorized shares: 10,000,000; Issued and outstanding: none		
Common stock, \$0.001 par value, Authorized shares: 250,000,000; Issued: 38,738,074 at June 30, 2013 and 37,331,796 at December 31, 2012	39	37
Additional paid-in capital	196,921	178,681
Treasury stock, at cost, 129,158 shares at June 30, 2013 and 116,101 shares at December 31, 2012	(86)	(86)
Retained earnings	68,283	56,980
Accumulated other comprehensive loss	(1,175)	(506)

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Total stockholders' equity	263,982	235,106
Total liabilities and stockholders' equity	\$ 328,078	\$ 320,066

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

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 41,085	\$ 38,496	\$ 83,124	\$ 72,845
Cost of revenue	6,016	6,080	12,025	9,738
Cost of revenue amortization of acquired technology	1,139	1,085	2,277	1,880
Total cost of revenue	7,155	7,165	14,302	11,618
Gross profit	33,930	31,331	68,822	61,227
Operating expenses:				
Marketing and selling	10,392	8,720	20,311	17,991
Research and development	4,891	4,588	9,863	8,932
General and administrative	4,980	4,698	9,685	9,625
Amortization of other intangible assets	1,487	1,431	2,977	2,652
Total operating expenses	21,750	19,437	42,836	39,200
Income from operations	12,180	11,894	25,986	22,027
Other (income) expense:				
Interest expense	313	553	731	1,004
Interest income	(5)	(9)	(5)	(16)
Loss on foreign exchange	263	10	840	277
Gain on derivatives		(205)		(79)
Other income, net	(1)	(3)	(37)	(14)
Total other expense	570	346	1,529	1,172
Income before provision for income taxes	11,610	11,548	24,457	20,855
Provision for income taxes	4,299	4,133	8,530	7,720
Net income	\$ 7,311	\$ 7,415	\$ 15,927	\$ 13,135
Net income available to common stockholders basic	\$ 7,182	\$ 7,286	\$ 15,658	\$ 12,921
Net income available to common stockholders diluted	\$ 7,185	\$ 7,286	\$ 15,665	\$ 12,921
Net income per common share:				
Basic	\$ 0.19	\$ 0.20	\$ 0.42	\$ 0.36
Diluted	\$ 0.18	\$ 0.19	\$ 0.40	\$ 0.34
Weighted average number of shares:				
Basic	37,725,082	36,046,725	37,415,514	36,164,567
Diluted	39,029,653	37,423,532	38,758,807	37,589,957
Dividends declared per common share	\$ 0.06	\$	\$ 0.12	\$

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MONOTYPE IMAGING HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited and in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income	\$ 7,311	\$ 7,415	\$ 15,927	\$ 13,135
Other comprehensive (loss) income, net of tax:				
Unrecognized actuarial gain	11		11	
Foreign currency translation adjustments	363	(1,262)	(680)	(712)