

CLEARONE INC
Form 10-Q
August 07, 2013

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 June 30, 2013

or

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

For the transition period _____ to _____

Commission file number: 001-33660

CLEARONE, INC.

(Exact name of registrant as specified in its charter)

Utah

(State or other jurisdiction of incorporation or organization)

5225 Wiley Post Way, Suite 500, Salt Lake City, Utah

(Address of principal executive offices)

(801) 975-7200

(Registrant's telephone number, including area code)

87-0398877

(I.R.S. employer identification number)

84116

(Zip Code)

Indicate by check 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

See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Larger 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 9,080,060 shares issued and outstanding as of August 5, 2013.

CLEARONE, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2013

INDEX

	PART I – FINANCIAL INFORMATION	
<u>Item 1.</u>	<u>Financial Statements</u>	<u>1</u>
	<u>Condensed Consolidated Balance Sheets as of June 30, 2013 (Unaudited) and December 31, 2012</u>	<u>1</u>
	<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012 (Unaudited)</u>	<u>2</u>
	<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012 (Unaudited)</u>	<u>3</u>
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>5</u>
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>12</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>19</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>19</u>
	PART II – OTHER INFORMATION	
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>19</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>19</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>19</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>20</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>20</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>20</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>20</u>

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CLEARONE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)

	June 30, 2013 Unaudited	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$32,386	\$55,509
Marketable securities	337	—
Receivables, net of allowance for doubtful accounts of \$55 and \$60, respectively	8,439	8,388
Inventories, net	12,304	10,873
Deferred income taxes	3,148	3,148
Prepaid expenses and other assets	1,785	1,369
Total current assets	58,399	79,287
Long-term marketable securities	8,873	—
Long-term inventories, net	1,609	1,955
Property and equipment, net	1,783	1,708
Intangibles, net	3,996	4,258
Goodwill	3,472	3,472
Deferred income taxes	1,195	1,195
Other assets	61	64
Total assets	\$79,388	\$91,939
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,031	\$2,302
Accrued liabilities	2,009	2,143
Income taxes payable	—	14,782
Deferred product revenue	4,300	3,593
Total current liabilities	9,340	22,820
Deferred rent	365	422
Other long-term liabilities	2,028	2,029
Total liabilities	11,733	25,271
Shareholders' equity:		
Common stock, par value \$0.001, 50,000,000 shares authorized, 9,080,060 and 9,163,462 shares issued and outstanding	9	9
Additional paid-in capital	39,729	40,430
Accumulated other comprehensive loss	(87) —
Retained earnings	28,004	26,229
Total shareholders' equity	67,655	66,668
Total liabilities and shareholders' equity	\$79,388	\$91,939

See accompanying notes

Table of Contents

CLEARONE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Dollars in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue	\$11,703	\$11,655	\$22,996	\$21,809
Cost of goods sold	4,839	4,562	9,133	8,608
Gross profit	6,864	7,093	13,863	13,201
Operating expenses:				
Sales and marketing	2,088	2,254	4,356	4,388
Research and product development	1,843	2,029	3,709	4,037
General and administrative	1,437	1,611	3,234	3,091
Proceeds from litigation, net	—	—	—	(250)
Total operating expenses	5,368	5,894	11,299	11,266
Operating income	1,496	1,199	2,564	1,935
Other income (expense), net	47	(5)	33	11
Income before income taxes	1,543	1,194	2,597	1,946
Provision for income taxes	498	544	822	818
Net income	\$1,045	\$650		