

EMAGIN CORP
Form 10-Q
August 13, 2014

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014
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)

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). 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):

Edgar Filing: EMAGIN CORP - Form 10-Q

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 July 31, 2014 was 24,995,982.

1

eMagin Corporation
Form 10-Q

For the Quarter ended June 30, 2014

Table of Contents

	Page
PART I FINANCIAL INFORMATION	
<u>Item 1</u>	
<u>Condensed Consolidated Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of June 30, 2014 (unaudited) and December 31, 2013</u>	3
<u>Condensed Consolidated Statements of Operations for the Three and Six Months ended June 30, 2014 and 2013 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the Six Months ended June 30, 2014 and 2013 (unaudited)</u>	5
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	6
<u>Item 2</u>	
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 3</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	17
<u>Item 4</u>	
<u>Controls and Procedures</u>	17
PART II OTHER INFORMATION	
<u>Item 1</u>	
<u>Legal Proceedings</u>	18
<u>Item 1A</u>	
<u>Risk Factors</u>	18
<u>Item 2</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
<u>Item 3</u>	
<u>Defaults Upon Senior Securities</u>	18
<u>Item 4</u>	
<u>Mine Safety Disclosures</u>	18
<u>Item 5</u>	
<u>Other Information</u>	18
<u>Item 6</u>	
<u>Exhibits</u>	19
<u>SIGNATURES</u>	20
CERTIFICATIONS	

Table of Contents

ITEM 1. Condensed Consolidated Financial Statements

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

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,095	\$ 4,032
Investments	3,500	6,250
Accounts receivable, net	6,055	4,319
Inventories, net	5,549	3,434
Prepaid expenses and other current assets	899	745
Total current assets	18,098	18,780
Long-term investments	—	750
Equipment, furniture and leasehold improvements, net	9,136	9,119
Other assets	106	27
Total assets	\$ 27,340	\$ 28,676
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,674	\$ 1,470
Accrued expenses	1,977	2,812
Other current liabilities	605	395
Total current liabilities	4,256	4,677
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 June 30, 2014 and December 31, 2013	—	—
Common stock, \$.001 par value: authorized 200,000,000 shares, issued and outstanding, 24,995,982 shares as of June 30, 2014 and 23,928,619 as of December 31, 2013	25	24
Additional paid-in capital	227,801	226,051
Accumulated deficit	(204,242)	(201,576)
Treasury stock, 162,066 shares as of June 30, 2014 and December 31, 2013	(500)	(500)
Total shareholders' equity	23,084	23,999
Total liabilities and shareholders' equity	\$ 27,340	\$ 28,676

See notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue:				
Product	\$6,956	\$6,773	\$13,215	\$14,901
Contract	62	255	81	630
Total revenue, net	7,018	7,028	13,296	15,531
Cost of goods sold:				
Product	4,838	4,437	9,170	8,974
Contract	11	200	26	416
Total cost of goods sold	4,849	4,637	9,196	9,390
Gross profit	2,169	2,391	4,100	6,141
Operating expenses:				
Research and development	1,282	1,454	2,708	2,643
Selling, general and administrative	1,931	2,077	4,050	4,317
Total operating expenses	3,213	3,531	6,758	6,960
Loss from operations	(1,044)	(1,140)	(2,658)	(819)
Other income (expense):				
Interest expense, net	(10)	(11)	(21)	(21)
Other income, net	7	23	14	36
Total other income (expense), net	(3)	12	(7)	15
Loss before benefit from income taxes	(1,047)	(1,128)	(2,665)	(804)
Benefit from income taxes	—	(120)	—	—
Net loss	\$(1,047)	\$(1,008)	\$(2,665)	\$(804)
Less net income allocated to participating securities	—	—	—	—
Net loss allocated to common shares	\$(1,047)	\$(1,008)	\$(2,665)	\$(804)
Loss per share, basic	\$(0.04)	\$(0.04)	\$(0.11)	\$(0.03)
Loss per share, diluted	\$(0.04)	\$(0.04)	\$(0.11)	\$(0.03)
Weighted average number of shares outstanding:				
Basic	23,940,800	23,586,413	23,859,455	23,556,743
Diluted	23,940,800	23,586,413	23,859,455	23,556,743

See notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Six Months Ended June 30,	
	2014	2013
	(unaudited)	
Cash flows from operating activities:		
Net loss	\$ (2,665)	\$ (804)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	538	425
Amortization of bond premium	—	17
Inventory reserve	321	16
Stock-based compensation	650	1,078
Loss (gain) on sale of asset	7	(9)
Changes in operating assets and liabilities:		
Accounts receivable	(1,737)	292
Inventories, net	(2,437)	(355)
Prepaid expenses and other current and long-term assets	(235)	(88)
Accounts payable, accrued expenses, and other current liabilities	(421)	(322)
Net cash (used in) provided by operating activities	(5,979)	250
Cash flows from investing activities:		