

EMAGIN CORP
Form 10-Q
May 14, 2009

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 March 31, 2009
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.)

10500 NE 8th Street, Suite 1400, Bellevue, Washington 98004
(Address of principal executive offices)

(425) 749-3600
(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

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

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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 April 30, 2009 was 16,192,135.

1

eMagin Corporation
 Form 10-Q
 For the Quarter ended March 31, 2009

Table of Contents

	Page
PART I FINANCIAL INFORMATION	
Item 1	Condensed Consolidated Financial Statements
	3
	3
	4
	5
	6
	7
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations
	14
Item 3	Quantitative and Qualitative Disclosures About Market Risk
	17
Item 4T	Controls and Procedures
	17
PART II OTHER INFORMATION	
Item 1	Legal Proceedings
	18
Item 1A	Risk Factors
	18
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds
	18
Item 3	Defaults Upon Senior Securities
	18
Item 4	Submission of Matters to a Vote of Security Holders
	18
Item 5	
	18

Other
Information

Item 6	Exhibits	18
SIGNATURES		19
CERTIFICATIONS		

ITEM 1. Condensed Consolidated Financial Statements

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

	March 31, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,329	\$ 2,404
Investments – held to maturity	97	97
Accounts receivable, net	2,950	3,643
Inventory	2,214	2,374
Prepaid expenses and other current assets	1,233	796
Total current assets	8,823	9,314
Equipment, furniture and leasehold improvements, net	391	381
Intangible assets, net	46	47
Deferred financing costs, net	212	362
Total assets	\$ 9,472	\$ 10,104
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 569	\$ 1,026
Accrued compensation	631	837
Other accrued expenses	1,152	804
Advance payments	649	694
Deferred revenue	120	164
Debt	682	1,691
Other current liabilities	917	798
Total current liabilities	4,720	6,014
Commitments and contingencies		
Redeemable common stock: 522,500 redeemable shares	429	429
Shareholders' equity:		
Preferred stock, \$.001 par value: authorized 10,000,000 shares:	—	—
Series B Convertible Preferred stock, (liquidation preference of \$5,739,000) stated value \$1,000 per share, \$.001 par value: 10,000 shares designated and 5,739 issued	—	—
Common stock, \$.001 par value: authorized 200,000,000 shares, issued and outstanding, 15,429,863 shares as of March 31, 2009 and 15,213,959 as of December 31, 2008, net of redeemable common stock	15	15
Additional paid-in capital	205,086	204,818
Accumulated deficit	(200,778)	(201,172)

Total shareholders' equity		4,323		3,661
Total liabilities and shareholders' equity	\$	9,472	\$	10,104

See notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2009	2008
Revenue:		
Product revenue	\$ 4,356	\$ 2,462
Contract revenue	788	203
Total revenue, net	5,144	2,665
Cost of goods sold:		
Product revenue	2,257	2,181
Contract revenue	428	132
Total cost of goods sold	2,685	2,313
Gross profit	2,459	352
Operating expenses:		
Research and development	362	674
Selling, general and administrative	1,529	1,807
Total operating expenses	1,891	2,481
Income (loss) from operations	568	(2,129)
Other income (expense):		
Interest expense, net	(175)	(631)
Other income, net	1	86
Total other expense	(174)	(545)
Provision for income taxes	—	—
Net income (loss)	\$ 394	\$ (2,674)
Income (loss) per share, basic	\$ 0.02	\$ (0.21)
Income (loss) per share, diluted	\$ 0.02	\$ (0.21)
Weighted average number of shares outstanding:		
Basic	15,860,517	12,620,900
Diluted	23,899,255	12,620,900

See notes to Condensed Consolidated Financial Statements.

eMAGIN CORPORATION
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 (In thousands)

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Shareholders' Equity
Balance, December 31, 2008	6	\$ —	15,214	\$ 15	\$ 204,818	\$ (201,172)	\$ 3,661
Issuance of common stock for services	—	—	216	—	115	—	115
Stock-based compensation	—	—	—	—	153	—	153
Net income	—	—	—	—	—	394	394
Balance, March 31, 2009	6	\$ —	15,430	\$ 15	\$ 205,086	\$ (200,778)	\$ 4,323

See notes to Condensed Consolidated Financial Statements.

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

	Three months Ended March 31,	
	2009	2008
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 394	\$ (2,674)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	23	68
Amortization of deferred financing and waiver fees	150	448
Reduction of provision for sales returns and doubtful accounts	(114)	