

Monotype Imaging Holdings Inc.  
Form 10-Q  
October 30, 2012  
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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 September 30, 2012

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 October 23, 2012 was 37,012,522.

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements  
MONOTYPE IMAGING HOLDINGS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited and in thousands, except share and per share data)**

	September 30, 2012	December 31, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 37,988	\$ 53,850
Accounts receivable, net of allowance for doubtful accounts of \$98 at September 30, 2012 and \$91 at December 31, 2011	6,383	6,588
Income tax refunds receivable	429	733
Deferred income taxes	2,529	506
Prepaid expense and other current assets	3,249	3,228
Total current assets	50,578	64,905
Property and equipment, net	2,510	2,404
Goodwill	172,090	140,807
Intangible assets, net	86,463	71,664
Deferred income taxes	328	396
Other assets	3,227	3,646
Total assets	\$ 315,196	\$ 283,822
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,148	\$ 1,123
Accrued expenses and other current liabilities	14,296	12,235
Accrued income taxes	2,438	1,280
Deferred revenue	6,854	7,742
Current portion of long-term debt	10,000	10,000
Total current liabilities	34,736	32,380
Long-term debt, less current portion	22,321	27,321
Other long-term liabilities	511	225
Deferred income taxes	26,804	20,596
Reserve for income taxes, net of current portion	901	1,174
Accrued pension benefits	3,924	3,765
Commitments and contingencies ( <i>Note 14</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: 37,061,266 at September 30, 2012 and 36,341,383 at December 31, 2011	37	36
Additional paid-in capital	175,723	167,448
Treasury stock, at cost, 103,975 shares at September 30, 2012 and 98,527 shares at December 31, 2011	(86)	(86)
Retained earnings	50,631	30,986
Accumulated other comprehensive income (loss)	(306)	(23)

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Total stockholders' equity	225,999	198,361
Total liabilities and stockholders' equity	\$ 315,196	\$ 283,822

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

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue	\$ 37,982	\$ 30,695	\$ 110,827	\$ 91,490
Costs and expenses:				
Cost of revenue	5,426	2,503	15,164	7,490
Cost of revenue amortization of acquired technology	1,085	798	2,965	2,373
Total cost of revenue	6,511	3,301	18,129	9,863
Gross profit	31,471	27,394	92,698	81,627
Operating expenses:				
Marketing and selling	8,614	8,169	26,605	24,198
Research and development	4,617	4,116	13,549	12,176
General and administrative	4,386	4,284	14,011	12,621
Amortization of other intangible assets	1,405	1,252	4,057	3,847
Total operating expenses	19,022	17,821	58,222	52,842
Income from operations	12,449	9,573	34,476	28,785
Other (income) expense:				
Interest expense	457	587	1,461	2,388
Interest income	(6)	(29)	(22)	(91)
Loss (gain) on foreign exchange	24	215	301	(266)
Loss (gain) on derivatives	65	(536)	(14)	487
Loss on extinguishment of debt		422		422
Other expense, net	33	2	19	2
Total other expense	573	661	1,745	2,942
Income before provision for income taxes	11,876	8,912	32,731	25,843
Provision for income taxes	3,886	2,920	11,606	8,813
Net income	\$ 7,990	\$ 5,992	\$ 21,125	\$ 17,030
Net income available to common shareholders basic & diluted	\$ 7,857	\$ 5,891	\$ 20,779	\$ 16,753
Net income per common share:				
Basic	\$ 0.22	\$ 0.17	\$ 0.57	\$ 0.48
Diluted	\$ 0.21	\$ 0.16	\$ 0.55	\$ 0.46
Weighted average number of shares:				
Basic	36,323,556	35,447,484	36,217,950	35,267,592
Diluted	37,620,269	36,829,518	37,600,448	36,703,298
Dividends declared per share	\$ 0.04	\$	\$ 0.04	\$

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

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**MONOTYPE IMAGING HOLDINGS INC.**

**STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME**

**(Unaudited and in thousands)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income	\$ 7,990	\$ 5,992	\$ 21,125	\$ 17,030
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	429	(2,211)	(283)	(20)
Comprehensive income	\$			