Monotype Imaging Holdings Inc. Form 10-Q October 30, 2012 Table of Contents

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)

Delaware (State of incorporation)

20-3289482 (I.R.S. Employer

Identification No.)

500 Unicorn Park Drive

Woburn, Massachusetts 01801 (Address of principal executive offices) (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 x 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 x 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 " 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 x

The number of shares outstanding of the registrant s common stock as of October 23, 2012 was 37,012,522.

MONOTYPE IMAGING HOLDINGS INC.

INDEX

		Page
<u>Part I. Fi</u>	inancial Information	2
Item 1.	Consolidated Financial Statements (Unaudited)	2
	Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011	2
	Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2012 and 2011	3
	Statement of Consolidated Comprehensive Income for the three and nine months ended September 30, 2012 and 2011	4
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	27
Item 4.	Controls and Procedures	28
Part II. (Other Information	29
Item 1.	<u>Legal Proceedings</u>	29
Item 1A.	Risk Factors	29
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3.	<u>Defaults Upon Senior Securities</u>	30
Item 4.	Mine Safety Disclosures	30
Item 5.	Other Information	30
Item 6.	<u>Exhibits</u>	30
Signatur	<u>es</u>	31
Exhibit I	ndev	32

1

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)

Current assets		September 30, 2012		December 31, 2011	
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 6,383 6,588 Income tax refunds receivable 449 733 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 3,227 3,646 Other assets 3,227 3,646 Total assets \$ 315,196 \$ 283,822 Urrent liabilities \$ 1,148 \$ 1,123 Accounts payable \$ 1,148 \$ 1,123 Accude expenses and other current liabilities 14,296 12,235 Accude income taxes 2,438 1,280 Deferred revenue 6,854 7,742 Current portion of long-term debt 10,000 10,000 Total current liab	Assets				
Accounts receivable, net of allowance for doubtful accounts of \$98 at September 30, 2012 and \$91 at December 31, 2011	Current assets:				
December 31, 2011 6,383 6,588 Income tax refunds receivable 429 733 Deferred income taxes 2,599 506 Prepaid expense and other 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 315,196 283,822 ***Total assets \$ 1,148 1,123 ***Total assets \$ 1,148 1,123 ***Total assets		\$	37,988	\$	53,850
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 Interpaid bassets, net 86,463 71,664 Deferred income taxes 3,227 3,646 Deferred income taxes 3,227 3,646 Total assets 315,196 \$283,822 Total assets \$1,148 \$1,235 Accounts payable \$1,148 \$1,235 Accrued insome taxes 2,438 1,282 Accrued expenses and other current liabilities 14,296 12,235 Accrued insome taxes 2,438 1,280 Deferred revenue 3,834 1,280 Current portion oflon-term debt 10,000 10,000 Total current liabilities 34,736 32,380 Long-term dicome taxes 26,804 20,596 <t< td=""><td>Accounts receivable, net of allowance for doubtful accounts of \$98 at September 30, 2012 and \$91 at</td><td></td><td></td><td></td><td></td></t<>	Accounts receivable, net of allowance for doubtful accounts of \$98 at September 30, 2012 and \$91 at				
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 172,909 140,807 Intangible assets, net 86,463 71,664 Deferred income taxes 328 396 Other assets 328 396 Total assets \$315,196 \$283,822 \$1,148 \$1,23 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, net of current portion 901 1,174 Accrued peprasion benefits 3,924 3,056 <td>December 31, 2011</td> <td></td> <td>6,383</td> <td></td> <td>6,588</td>	December 31, 2011		6,383		6,588
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 328 396 Total assets 315,196 \$283,822 **Current liabilities** **Current liabilities** **1,148 \$1,123 **Accrued expenses and other current liabilities \$1,496 \$12,235 **Accrued income taxes 2,438 1,280 **Current portion of long-term debt 10,000 10,000 **Current portion of long-term debt 3,38 3,380 **Current portion of long-term debt 3,38 3,38 **Current portion of long-term debt 3,03 3,38 **Current portion of long-term liabilities 3,13 3 **Current portion of long-term debt 3,03					
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 3,15,196 \$283,822 Total assets \$315,196 \$283,822 Total current liabilities \$1,123 Accounts payable \$1,148 \$1,123 Accounts payable \$1,4296 12,235 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 \$111 225 Deferred income taxes 26,804 20,596 Reserve for 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 (Note 14) Stockholders equity Fretered stock, \$0,001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 15,000 Commitments and contingencies (Note 14) Stockholders equity 137 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 686 866 Retained earnings 50,631 30,986	Deferred income taxes		,		
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 Environmental Env	Prepaid expense and other current assets		3,249		3,228
Goodwill 172,090 140,807 Intangible assets, net 86,463 71,664 Deferred income taxes 3,328 396 Other assets 3,227 3,646 Total assets \$ 315,196 \$ 283,822 **Current liabilities** **Current liabilities** **Accrued expenses and other current liabilities 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 5,11 225 Deferred income taxes, net of current portion 9,01 1,174 Accrued pension benefits 3,924 3,765 Commonity color income taxes, net of current portion 3,924 3,765 Everirered stock, \$0,001 par value, Authorized shares: 10,000,00	Total current assets		50,578		64,905
Intangible assets, net 86,463 71,664 Deferred income taxes 328 396 Other assets 3,227 3,646 Total assets \$315,196 \$283,822 Liabilities and Stockholders Equity Current liabilities: Accrued expenses and other current liabilities \$1,148 \$1,223 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 34,736 32,380 Long-term liabilities 34,736 32,380 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 3,55	Property and equipment, net				2,404
Deferred income taxes 328 396 Other assets 3,227 3,646 Total assets \$ 315,196 \$ 283,822 Example Inabilities Subject to the Inabilities Example Inabilities Subject to the Inabilities Accrued expenses and other current liabilities 14,296 12,235 Accrued penses and other current liabilities 14,296 12,235 Accrued penses and other current liabilities 34,336 12,235 Current portion of long-term debt 23,336 23,337 23,337 23,337 24,321 24,321 24,321 24,321 24,321 <	Goodwill		172,090		140,807
Other assets 3,227 3,646 Total assets \$ 315,196 283,822 Liabilities and Stockholders Equity Current liabilities: Accrued expenses and other current liabilities 1,148 1,123 Accrued expenses and other current liabilities 14,296 12,235 Accrued expenses and other current liabilities 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 (Note 14) 3 3,765 Stockholders equity: Freferred stock, \$0,001 par value, Authorized shares: 250,000,000; Issued and outstanding: none 37 36 Common stock, \$0,000 par value, Authorized shares: 250,000,00	Intangible assets, net		86,463		71,664
Current liabilities and Stockholders Equity	Deferred income taxes				396
Liabilities and Stockholders Equity Current liabilities: 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 (Note 14) 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) <td>Other assets</td> <td></td> <td>3,227</td> <td></td> <td>3,646</td>	Other assets		3,227		3,646
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 3,924 3,765 Accrued pension benefits 3,924 3,765 Commitments and contingencies (Note 14) 3,924 3,765 Stockholders equity: 2 2 Preferred stock, \$0,001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 3,924 3,765 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, 1	Total assets	\$	315,196	\$	283,822
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 3,924 3,765 Accrued pension benefits 3,924 3,765 Commitments and contingencies (Note 14) 3,924 3,765 Stockholders equity: 2 2 Preferred stock, \$0,001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 3,924 3,765 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, 1	Liabilities and Stockholders Equity				
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 (Note 14) 3,924 3,765 Stockholders equity: 2,500 3,924 3,765 Common stock, \$0.001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 3,924 3,765 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 <					
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 (Note 14) Stockholders equity: Preferred stock, \$0.001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 5012 37 36 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	Accounts payable	\$	1,148	\$	1,123
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 (Note 14) 5 Stockholders equity: 7 7 Preferred stock, \$0.001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 5 Common stock, \$0.001 par value, Authorized shares: 250,000,000; Issued: 37,061,266 at September 30, 37 36 Additional paid-in capital 37 36 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	Accrued expenses and other current liabilities		14,296		12,235
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 (Note 14) 35 3,924 3,765 Stockholders equity: 25 2012 and 36,341,383 at December 31, 2011 37 36 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	Accrued income taxes		2,438		1,280
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 (Note 14) 5 Stockholders equity: Preferred stock, \$0.001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 5 Common stock, \$0.001 par value, Authorized shares: 250,000,000; Issued: 37,061,266 at September 30, 37 36 Additional paid-in capital 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	Deferred revenue		- ,		7,742
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 (Note 14) 500 500 Stockholders equity: 500 500 500 500 Preferred 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	Current portion of long-term debt		10,000		10,000
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 (Note 14) 500 500 Stockholders equity: 500 500 500 500 Preferred stock, \$0.001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 500 500 500 37 36 2012 and 36,341,383 at December 31, 2011 37 36	Total current liabilities		34,736		32,380
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 (Note 14) 500 500 Stockholders equity: 500 500 500 500 Preferred stock, \$0.001 par value, Authorized shares: 10,000,000; Issued and outstanding: none 500 500 500 37 36 2012 and 36,341,383 at December 31, 2011 37 36	Long-term debt, less current portion		22,321		27,321
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 (Note 14) 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			511		225
Accrued pension benefits 3,924 3,765 Commitments and contingencies (Note 14) 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			26,804		20,596
Commitments and contingencies (Note 14) Stockholders equity: Preferred stock, \$0.001 par value, Authorized shares: 10,000,000; Issued: 37,061,266 at September 30, 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	Reserve for income taxes, net of current portion		901		1,174
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	Accrued pension benefits		3,924		3,765
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	Commitments and contingencies (<i>Note 14</i>)				
Common stock, \$0.001 par value, Authorized shares: 250,000,000; Issued: 37,061,266 at September 30, 37 36 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					
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	Preferred stock, \$0.001 par value, Authorized shares: 10,000,000; Issued and outstanding: none				
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					
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			37		36
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			175,723		167,448
Retained earnings 50,631 30,986			(86)		(86)
			50,631		30,986
			(306)		

Edgar Filing: Monotype Imaging Holdings Inc. - Form 10-Q

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.

MONOTYPE IMAGING HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited and in thousands, except share and per share data)

	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	5,323,556	35	5,447,484	36,217,950		35,267,592		
Diluted	37	7,620,269	36	5,829,518	37,600,448		3	36,703,298	
Dividends declared per share	\$	0.04	\$		\$	0.04	\$		

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

3

MONOTYPE IMAGING HOLDINGS INC.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(Unaudited and in thousands)

		Three Months Ended September 30,		ths Ended ber 30,
	2012	2011	2012	2011
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	\$			