

CLEARONE INC
Form 10-Q
October 31, 2014
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 September 30, 2014

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. 9,143,090 shares issued and outstanding as of October 24, 2014.

CLEARONE, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CLEARONE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)

	September 30, 2014 Unaudited	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$8,892	\$17,192
Marketable securities	5,785	3,200
Receivables, net of allowance for doubtful accounts of \$71 and \$129, respectively	9,658	9,378
Inventories	11,673	10,758
Distributor channel inventories	1,607	1,520
Deferred income taxes	3,378	3,325
Prepaid expenses and other assets	3,270	2,693
Total current assets	44,263	48,066
Long-term marketable securities	19,666	22,326
Long-term inventories, net	992	551
Property and equipment, net	2,106	1,825
Intangibles, net	8,767	3,710
Goodwill	12,596	3,472
Deferred income taxes	1,303	1,024
Other assets	114	87
Total assets	\$89,807	\$81,061
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,852	\$2,730
Accrued liabilities	4,452	1,761
Deferred product revenue	4,980	4,158
Total current liabilities	12,284	8,649
Deferred rent	256	286
Other long-term liabilities	2,395	1,791
Total liabilities	14,935	10,726
Shareholders' equity:		
Common stock, par value \$0.001, 50,000,000 shares authorized, 9,163,177 and 8,986,080 shares issued and outstanding	9	9
Additional paid-in capital	44,645	41,311
Accumulated other comprehensive income	83	23
Retained earnings	30,135	28,992
Total shareholders' equity	74,872	70,335
Total liabilities and shareholders' equity	\$89,807	\$81,061

See accompanying notes

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CLEARONE, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Dollars in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Revenue	\$15,739	\$12,366	\$42,558	\$35,362
Cost of goods sold	6,099	4,921	17,152	14,054
Gross profit	9,640	7,445	25,406	21,308
Operating expenses:				
Sales and marketing	2,791	2,220	8,504	6,575
Research and product development	2,315	1,788	6,886	5,497
General and administrative	1,487	1,405	5,079	4,639
Proceeds from litigation, net	—	(272) —	(272
Total operating expenses	6,593	5,141	20,469	16,439
Operating income	3,047	2,304	4,937	4,869
Other income, net	70	85	215	117
Income before income taxes	3,117	2,389	5,152	4,986
Provision for income taxes	1,471	726	2,082	1,548
Net income	\$1,646	\$		