

BITSTREAM INC
Form 10-Q
August 16, 2004
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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 June 30, 2004

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: 0-21541

BITSTREAM INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

04-2744890
(I.R.S. Employer
Identification No.)

245 First Street, 17th Floor, Cambridge, Massachusetts 02142-1270

(Address of principal executive offices)

Registrant's telephone number, including area code: (617) 497-6222

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 is an accelerated filer (as defined in Rule 12B-2 of the Exchange Act). Yes No

On August 11, 2004, there were 8,651,779 shares of Class A Common Stock, par value \$0.01 per share issued, including 125,809 issued and designated as treasury shares, and no shares of Class B Common Stock, par value \$0.01 per share, issued or outstanding.

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	June 30, 2004	December 31, 2003
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,167	\$ 4,367
Accounts receivable, net of allowance of \$26 at June 30, 2004 and December 31, 2003	891	1,016
Prepaid expenses and other current assets	145	61
	<u> </u>	<u> </u>
Total current assets	5,203	5,444
	<u> </u>	<u> </u>
Property and equipment, net	316	347
	<u> </u>	<u> </u>
Other assets:		
Restricted cash	250	250
Goodwill	727	727
Intangible assets	214	243
	<u> </u>	<u> </u>
Total other assets	1,191	1,220
	<u> </u>	<u> </u>
Total assets	\$ 6,710	\$ 7,011
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 342	\$ 513
Accrued expenses	887	877
Current portion of deferred revenue	716	547
	<u> </u>	<u> </u>
Total current liabilities	1,945	1,937
	<u> </u>	<u> </u>
Deferred rent	202	135
	<u> </u>	<u> </u>
Total liabilities	2,147	2,072
	<u> </u>	<u> </u>
Commitments and contingencies (Note 6)		
Stockholders equity :		
Preferred stock, \$0.01 par value Authorized - 6,000 shares Issued and outstanding- 0 at June 30, 2004 and December 31, 2003		
Common stock, \$0.01 par value Authorized - 30,500 shares Issued and outstanding- 8,652 and 8,573 at June 30, 2004 and December 31, 2003, respectively	86	86
Additional paid-in capital	32,680	32,551
Accumulated deficit	(27,843)	(27,338)
Treasury stock, at cost; 126 shares as of June 30, 2004 and December 31, 2003	(360)	(360)
	<u> </u>	<u> </u>
Total stockholders equity	4,563	4,939
	<u> </u>	<u> </u>

Total liabilities and stockholders' equity	\$ 6,710	\$ 7,011
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The accompanying notes are an integral part of these consolidated financial statements.

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BITSTREAM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER-SHARE AMOUNTS)

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Revenue:				
Software licenses	\$ 2,357	\$ 2,486	\$ 4,641	\$ 4,230
Services	450	267	896	555
Total revenue	2,807	2,753	5,537	4,785
Cost of revenue:				
Software licenses	796	609	1,477	1,148
Services	195	114	375	251
Cost of revenue	991	723	1,852	1,399
Gross profit	1,816	2,030	3,685	3,386
Operating expenses:				
Marketing and selling	682	605	1,375	1,325
Research and development	940	959	1,970	2,002
General and administrative	439	426	930	998
Total operating expenses	2,061	1,990	4,275	4,325
Operating (loss) income	(245)	40	(590)	(939)
Gain on investment in DiamondSoft, Inc.	91	99	91	192
Interest and other income (expense),net	15	21	43	11
(Loss) income before provision for income taxes	(139)	160	(456)	(736)
Provision for income taxes	21	28	49	49
Net (loss) income	\$ (160)	\$ 132	\$ (505)	\$ (785)
Basic net (loss) income per share	\$ (0.02)	\$ 0.02	\$ (0.06)	\$ (0.09)
Diluted net (loss) income per share	\$ (0.02)	\$ 0.01	\$ (0.06)	\$ (0.09)
Basic weighted average shares outstanding	8,483	8,349	8,466	8,349

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Diluted weighted average shares outstanding	8,483	8,901	8,466	8,349
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The accompanying notes are an integral part of these consolidated financial statements.

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BITSTREAM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Six Months Ended	
	June 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (505)	\$ (785)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	88	99
Amortization	46	39
Gain on investment in DiamondSoft, Inc.	(91)	(192)
Loss on disposal of property and equipment		20
Changes in operating assets and liabilities:		
Accounts receivable	125	(627)
Income tax receivable		134
Prepaid expenses and other assets	(84)	(18)
Accounts payable	(171)	118
Accrued expenses	68	(112)
Deferred revenue	169	(68)
Other long term liabilities	67	
Net cash used in operating activities	(288)	(1,392)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in DiamondSoft	91	
Restricted Cash		300
Purchases of property and equipment, net	(57)	(68)
Additions to intangible assets	(17)	(21)
Net cash used in investing activities	17	211
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	71	
Net cash provided by financing activities	71	
Net Decrease in Cash and Cash Equivalents	(200)	(1,181)
Cash and Cash Equivalents, beginning of period	4,367	4,828
Cash and Cash Equivalents, end of period	\$ 4,167	\$ 3,647
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$	\$ 1
Cash paid (received) for income taxes	\$ 43	\$ (97)
Stoc		