

ROSETTA STONE INC
Form 10-Q
August 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the quarterly period ended June 30, 2012

Commission File Number: 1-34283

ROSETTA STONE INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

043837082
(I.R.S. Employer
Identification No.)

1919 North Lynn St., 7th Fl.
Arlington, Virginia
(Address of Principal Executive Offices)

22209
(Zip Code)

800-788-0822

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(Registrant's telephone number, including zip code)

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 Website, 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

(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of stock, as of the latest practicable date.

As of July 31, 2012, 21,025,376 shares of the registrant's Common Stock, \$.00005 par value, were outstanding.

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(in thousands, except per share amounts)

	June 30, 2012	December 31, 2011
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 118,774	\$ 106,516
Restricted cash	46	74
Short term investments	1,600	9,711
Accounts receivable (net of allowance for doubtful accounts of \$1,043 and \$1,951, respectively)	35,088	51,997
Inventory, net	6,238	6,723
Prepaid expenses and other current assets	6,425	7,081
Income tax receivable	10,151	7,678
Deferred income taxes	12,169	10,985
Total current assets	190,491	200,765
Property and equipment, net	17,936	20,869
Goodwill	34,849	34,841
Intangible assets, net	10,845	10,865
Deferred income taxes	7,913	8,038
Other assets	2,840	1,803
Total assets	\$ 264,874	\$ 277,181
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 4,434	\$ 7,291
Accrued compensation	13,467	11,703
Other current liabilities	26,971	34,911
Deferred revenue	46,012	49,375
Total current liabilities	90,884	103,280
Deferred revenue	3,931	2,520
Other long-term liabilities	1,826	176
Total liabilities	96,641	105,976
Commitments and contingencies (Note 11)		
Stockholders equity:		
Preferred stock, \$0.001 par value; 10,000 and 10,000 shares authorized, zero and zero shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively		
Non-designated common stock, \$0.00005 par value, 190,000 and 190,000 shares authorized, 21,776 and 21,258 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	2	2
Additional paid-in capital	155,305	151,823

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Accumulated income		12,635		19,082
Accumulated other comprehensive income		291		298
Total stockholders equity		168,233		171,205
Total liabilities and stockholders equity	\$	264,874	\$	277,181

See accompanying notes to condensed consolidated financial statements

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(unaudited)		(unaudited)	
Revenue:				
Product	\$ 37,543	\$ 48,055	\$ 85,073	\$ 90,358
Subscription and service	23,269	18,688	45,188	33,362
Total revenue	60,812	66,743	130,261	123,720
Cost of revenue:				
Cost of product revenue	7,122	8,773	16,229	17,568
Cost of subscription and service revenue	4,198	2,747	8,565	5,414
Total cost of revenue	11,320	11,520	24,794	22,982
Gross profit	49,492	55,223	105,467	100,738
Operating expenses				
Sales and marketing	35,125	40,535	73,529	78,354
Research and development	6,493			