

ROSETTA STONE INC
Form 10-Q
August 08, 2011
[Table of Contents](#)

**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, 2011

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)

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

043837082

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

22209
(Zip Code)

800-788-0822

(Registrant's telephone number, including zip code)

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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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 August 2, 2011, 21,098,234 shares of the registrant's Common Stock, \$.00005 par value, were outstanding.

Table of Contents

ROSETTA STONE INC.

Table of Contents

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1</u>	<u>Financial Statements</u> 3
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 21
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 41
<u>Item 4</u>	<u>Controls and Procedures</u> 41
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1</u>	<u>Legal Proceedings</u> 42
<u>Item 1A</u>	<u>Risk Factors</u> 42
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 42
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u> 42
<u>Item 5</u>	<u>Other Information</u> 43
<u>Item 6</u>	<u>Exhibits</u> 43
<u>Signatures</u>	44

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ROSETTA STONE INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share amounts)

	June 30, 2011	December 31, 2010
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 106,814	\$ 115,756
Restricted cash	61	85
Short term investments	8,317	6,410
Accounts receivable (net of allowance for doubtful accounts of \$1,603 and \$1,761, respectively)	40,008	48,056
Inventory	9,726	9,928
Prepaid expenses and other current assets	7,243	7,763
Income tax receivable	10,240	2,210
Deferred income taxes	8,565	11,159
Total current assets	190,974	201,367
Property and equipment, net	22,142	21,073
Goodwill	34,890	34,856
Intangible assets, net	10,903	10,948
Deferred income taxes	6,294	6,498
Other assets	3,068	1,732
Total assets	\$ 268,271	\$ 276,474
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 10,508	\$ 7,631
Accrued compensation	10,970	10,514
Other current liabilities	32,772	32,625
Deferred revenue	42,983	41,965
Total current liabilities	97,233	92,735
Deferred revenue	2,745	5,193
Other long-term liabilities	238	230
Total liabilities	100,216	98,158
Commitments and contingencies (Note 12)		
Stockholders equity:		
Preferred stock, \$0.001 par value; 10,000 and 10,000 shares authorized, zero and zero shares issued and outstanding at June, 2011 and December 31, 2010, respectively		
Non-designated common stock, \$0.00005 par value, 190,000 and 190,000 shares authorized, 21,097 and 20,975 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	2	2
Additional paid-in capital	142,106	139,022

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Accumulated income	25,238	39,069
Accumulated other comprehensive income	709	223
Total stockholders equity	168,055	178,316
Total liabilities and stockholders equity	\$ 268,271	\$ 276,474

See accompanying notes to condensed consolidated financial statements

Table of Contents**ROSETTA STONE INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Revenue:				
Product	\$ 48,055	\$ 50,885	\$ 90,358	\$ 104,618
Subscription and service	18,688	9,763	33,362	19,044
Total revenue	66,743	60,648	123,720	123,662
Cost of revenue:				
Cost of product revenue	8,773	6,513	17,568	14,292
Cost of subscription and service revenue	2,747	1,089	5,414	1,952
Total cost of revenue	11,520	7,602	22,982	16,244
Gross profit	55,223	53,046	100,738	107,418
Operating expenses				