

BSQUARE CORP /WA  
Form 10-Q  
August 13, 2013  
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, 2013

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: 000-27687

**BSQUARE CORPORATION**

(Exact name of registrant as specified in its charter)

Edgar Filing: BSQUARE CORP /WA - Form 10-Q

<b>Washington</b> (State or other jurisdiction of incorporation or organization)	<b>91-1650880</b> (I.R.S. Employer Identification No.)
<b>110 110<sup>th</sup> Avenue NE, Suite 200,</b>  <b>Bellevue WA</b> (Address of principal executive offices)	<b>98004</b> (Zip Code)
<b>(425) 519-5900</b>  (Registrant's telephone number, including area 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 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

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

The number of shares of common stock outstanding as of July 31, 2013: 11,193,693

**Table of Contents**

**BSQUARE CORPORATION**

**FORM 10-Q**

**For the Quarterly Period Ended June 30, 2013**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1 <u>Financial Statements</u>	3
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	18
Item 4 <u>Controls and Procedures</u>	18
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1A <u>Risk Factors</u>	19
Item 6 <u>Exhibits</u>	19

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****BSQUARE CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

	June 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,771	\$ 9,903
Short-term investments	9,331	9,826
Accounts receivable, net of allowance for doubtful accounts of \$266 at June 30, 2013 and \$200 at December 31, 2012	13,614	16,095
Deferred tax assets	295	296
Prepaid expenses and other current assets	1,069	858
Total current assets	35,080	36,978
Equipment, furniture and leasehold improvements, net	520	759
Restricted cash	875	875
Deferred tax assets	2,255	2,255
Intangible assets, net	952	1,069
Goodwill	3,738	3,738
Other non-current assets	97	117
Total assets	\$ 43,517	\$ 45,791
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Third-party software fees payable	\$ 10,090	\$ 11,099
Accounts payable	510	553
Accrued compensation	2,242	2,205
Other accrued expenses	1,772	1,732
Deferred revenue	872	837
Total current liabilities	15,486	16,426
Deferred tax liability	206	206
Deferred rent	116	154
Shareholders' equity:		
Preferred stock, no par value: 10,000,000 shares authorized; no shares issued and outstanding		
Common stock, no par value: 37,500,000 shares authorized; 11,175,895 shares issued and outstanding at June 30, 2013 and 11,065,217 shares issued and outstanding at December 31, 2012	128,991	128,474
Accumulated other comprehensive loss	(879)	(733)
Accumulated deficit	(100,403)	(98,736)
Total shareholders' equity	27,709	29,005

Edgar Filing: BSQUARE CORP /WA - Form 10-Q

Total liabilities and shareholders' equity	\$ 43,517	\$ 45,791
--	-----------	-----------

See notes to condensed consolidated financial statements.

**Table of Contents****BSQUARE CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(In thousands, except per share amounts) (Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenue:</b>				
Software	\$ 16,851	\$ 17,794	\$ 33,362	\$ 36,010
Service	4,986	6,711	9,345	14,043
<b>Total revenue</b>	<b>21,837</b>	<b>24,505</b>	<b>42,707</b>	<b>50,053</b>
<b>Cost of revenue:</b>				
Software	13,955	14,757	27,122	29,364
Service	4,089	5,358	8,445	11,497
<b>Total cost of revenue</b>	<b>18,044</b>	<b>20,115</b>	<b>35,567</b>	<b>40,861</b>
<b>Gross profit</b>	<b>3,793</b>	<b>4,390</b>	<b>7,140</b>	<b>9,192</b>
<b>Operating expenses:</b>				
Selling, general and administrative	3,841	3,552	7,472	7,691
Research and development	738	1,108	1,401	2,048
<b>Total operating expenses</b>	<b>4,579</b>	<b>4,660</b>	<b>8,873</b>	<b>9,739</b>
<b>Loss from operations</b>	<b>(786)</b>	<b>(270)</b>	<b>(1,733)</b>	<b>(547)</b>
<b>Other income, net</b>	<b>25</b>	<b>103</b>	<b>115</b>	<b>94</b>
<b>Loss before income taxes</b>	<b>(761)</b>	<b>(167)</b>	<b>(1,618)</b>	<b>(453)</b>
<b>Income tax benefit (expense)</b>	<b>(44)</b>	<b>(35)</b>	<b>(49)</b>	<b>63</b>
<b>Net loss</b>	<b>\$ (805)</b>	<b>\$ (202)</b>	<b>\$ (1,667)</b>	<b>\$ (390)</b>
<b>Basic loss per share</b>	<b>\$ (0.07)</b>	<b>\$ (0.02)</b>	<b>\$ (0.15)</b>	<b>\$ (0.04)</b>
<b>Diluted loss per share</b>	<b>\$ (0.07)</b>	<b>\$ (0.02)</b>	<b>\$ (0.15)</b>	<b>\$ (0.04)</b>
<b>Shares used in calculation of loss per share:</b>				
Basic	11,149	10,922	11,128	10,898
Diluted	11,149	10,922	11,128	10,898
<b>Comprehensive loss:</b>				
Net loss	\$ (805)	\$ (202)	\$ (1,667)	\$ (390)
<b>Other comprehensive income (expense):</b>				
Foreign currency translation, net of tax	(29)	(29)	(91)	(11)
Change in unrealized gains on investments, net of tax	(2)	(1)	(3)	12
<b>Total other comprehensive income (expense)</b>	<b>(31)</b>	<b>(30)</b>	<b>(94)</b>	<b>1</b>

Edgar Filing: BSQUARE CORP /WA - Form 10-Q

Comprehensive loss	\$ (836)	\$ (232)	\$ (1,761)	\$ (389)
--------------------	----------	----------	------------	----------

See notes to condensed consolidated financial statements.

**Table of Contents****BSQUARE CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands) (Unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
Cash flows from operating activities:		
Net loss	\$ (1,667)	\$ (390)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	405	483
Stock-based compensation	506	892
Deferred income tax benefit	1	(58)
Changes in operating assets and liabilities:		
Accounts receivable, net	2,481	(1,608)
Prepaid expenses and other assets	(191)	111
Third-party software fees payable	(1,009)	2,223
Accounts payable and accrued expenses	34	(241)
Deferred revenue	35	556
Deferred rent	(38)	(6)
Net cash provided by operating activities	557	1,962
Cash flows from investing activities:		
Purchases of equipment and furniture	(49)	(164)
Proceeds from maturities of short-term investments	7,655	5,200
Purchases of short-term investments	(7,165)	(4,965)
Net cash provided by investing activities	441	71
Cash flows provided by financing activities proceeds from exercise of stock options	8	66
Effect of exchange rate changes on cash	(138)	(89)