

Qumu Corp  
Form 10-Q  
November 10, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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 FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission File Number: 000-20728

QUMU CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota  
(State or other jurisdiction of incorporation or organization)

41-1577970  
(I.R.S. Employer Identification No.)

7725 Washington Avenue South, Minneapolis, MN 55439  
(Address of principal executive offices)

952-683-7900  
(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 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 (as defined in Rule 12b-2 of the Exchange Act):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  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

Common Stock outstanding at October 31, 2014 – 9,022,465 shares of \$.01 par value Common Stock.

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## PART 1 – FINANCIAL INFORMATION

## Item 1. Financial Statements (unaudited)

## QUMU CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(in thousands, except share data)

	September 30, 2014	December 31, 2013
Assets		
Current assets:	(unaudited)	
Cash and cash equivalents	\$20,348	\$37,725
Marketable securities	30,220	13,233
Restricted cash	2,300	—
Receivables, net of allowance for doubtful accounts of \$28 and \$20, respectively	7,803	3,458
Finished goods inventories	196	120
Prepaid income taxes	938	1,356
Prepaid expenses and other current assets	3,991	1,816
Current assets from discontinued operations	1,097	14,066
Total current assets	66,893	71,774
Property and equipment, net of accumulated depreciation of \$1,705 and \$1,208, respectively	1,648	1,379
Intangible assets, net of amortization of \$2,435 and \$1,546, respectively	7,336	8,225
Deferred income taxes - non-current	—	85
Other assets - non-current	3,336	3,288
Non-current assets from discontinued operations	—	4,420
Total assets	\$79,213	\$89,171
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	\$2,170	\$2,057
Accrued compensation	5,486	4,999
Other accrued expenses	279	202
Deferred revenue	5,303	3,905
Other current liabilities	—	25
Current liabilities from discontinued operations	416	11,865
Total current liabilities	13,654	23,053
Non-current liabilities:		
Deferred revenue - non-current	1,476	265
Income taxes payable - non-current	8	116
Other non-current liabilities	428	519
Non-current liabilities from discontinued operations	—	2,637
Total non-current liabilities	1,912	3,537
Total liabilities	15,566	26,590
Commitments and contingencies (Note 10)	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 250,000 shares, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, authorized 29,750,000 shares, issued and outstanding 8,747,465 and 8,674,029, respectively	87	87
Additional paid-in capital	59,928	58,411
Retained earnings	3,855	3,921
Accumulated other comprehensive income (loss)	(223	) 162

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Total stockholders' equity	63,647	62,581
Total liabilities and stockholders' equity	\$79,213	\$89,171
See accompanying notes to condensed consolidated financial statements.		

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**QUMU CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
(unaudited - in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Software licenses and appliances	\$2,193	\$1,626	\$8,103	\$5,894
Service	3,660	2,758	10,083	7,668
Total revenues	5,853	4,384	18,186	13,562
Cost of revenues:				
Software licenses and appliances	615	1,019	2,850	2,184
Service	2,608	996	7,154	3,053
Total cost of revenues	3,223	2,015	10,004	5,237
Gross profit	2,630	2,369	8,182	8,325
Operating expenses:				
Research and development	2,321	2,078	6,609	6,629
Selling, general and administrative	7,473	4,668	21,411	15,251
Amortization of purchased intangibles	157	157	470	471
Total operating expenses	9,951	6,903	28,490	22,351
Operating loss	(7,321)	(4,534)	(20,308)	(14,026)
Other income (expense):				
Interest, net	11	7	33	23
Loss on currency exchange	(33)	(21)	(56)	(24)
Other, net	(28)	2	(38)	—
Total other expense, net	(50)	(12)	(61)	(1)
Loss before income taxes	(7,371)	(4,546)	(20,369)	(14,027)
Income tax benefit	(4,492)	(1,085)	(5,938)	(2,393)
Net loss from continuing operations	(2,879)	(3,461)	(14,431)	(11,634)
Net income from discontinued operations, net of tax	11,559	2,445	14,365	4,689
Net income (loss)	\$8,680	\$(1,016)	\$(66)	\$(6,945)
Net income (loss) per basic and diluted share:				
Net loss from continuing operations per share	\$(0.33)	\$(0.40)	\$(1.65)	\$(1.34)
Net income from discontinued operations per share	\$1.32	\$0.28	\$1.64	\$0.54
Net income (loss) per share	\$0.99	\$(0.12)	\$(0.01)	\$(0.80)
Basic and diluted weighted average shares outstanding	8,780	8,697	8,743	8,689

See accompanying notes to condensed consolidated financial statements.

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## QUMU CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited - in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income (loss)	\$8,680	\$ (1,016 )	\$ (66 )	\$ (6,945 )
Other comprehensive income (loss):				
Net changes in:				
Foreign currency translation adjustments	(304 )	234	(372 )	14
Change in net unrealized income (loss) on marketable securities, net of tax	4	6	(13 )	(8 )
Total other comprehensive income (loss)	(300 )	240	(385 )	6
Total comprehensive income (loss)	\$8,380	\$ (776 )	\$ (451 )	\$ (6,939 )
See accompanying notes to condensed consolidated financial statements.				

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QUMU CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(unaudited - in thousands)

	Nine Months Ended September 30,	
	2014	2013
Cash flows used in operating activities:		
Net loss	\$(66	) \$(6,945 )
Net income from discontinued operations, net of tax	(14,365	) (4,689 )
Net loss from continuing operations	(14,431	) (11,634 )
Adjustments to reconcile net loss to net cash used in continuing operating activities:		
Depreciation and amortization	1,411	1,340
Current income tax benefit resulting from income generated from discontinued operations	(5,888	) (2,433 )
Deferred income tax expense	85	702
Loss on disposal of property and equipment	31	3
Stock-based compensation	1,281	1,110
Changes in operating assets and liabilities:		
Receivables	(4,364	) 931
Finished goods inventories	(76	) 169
Prepaid income taxes / income taxes payable	310	282
Prepaid expenses and other assets	(2,231	) (450 )
Trade accounts payable	123	565
Accrued compensation	498	885
Other accrued expenses and other current liabilities	52	(69 )
Deferred revenue	2,624	1,065
Other non-current liabilities	(91	) (89 )
Net cash used in continuing operating activities	(20,666	) (7,623 )
Net cash provided by discontinued operating activities	1,483	7,255
Net cash used in operating activities	(19,183	) (368 )
Cash flows used in investing activities:		
Purchase of cost method investment	—	(350 )
Purchases of marketable securities	(31,250	) (19,505 )
Sales and maturities of marketable securities	14,250	24,750
Purchases of property and equipment	(760	) (656 )