

Parametric Sound Corp
Form 10-Q
May 13, 2014

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 March 31, 2014

Commission File Number: 001-35465

PARAMETRIC SOUND CORPORATION
(Exact name of registrant as specified in its charter)

Nevada 27-2767540
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

100 Summit Lake Drive, Suite 100 10595
Valhalla, New York (Zip Code)
(Address of principal executive offices)

(914) 345-2255
(Registrant's telephone number, including area code)

Former address: 13771 Danielson Street, Suite L, Poway, CA 92064
Former fiscal year-end: September 30, 2013

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 Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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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, \$0.001 par value, outstanding on May 8, 2014 was 37,843,247.

PARAMETRIC SOUND CORPORATION
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Parametric Sound Corporation
Condensed Consolidated Balance Sheets
(in thousands, except share and per-share data)

	As of March 31, 2014 (unaudited)	As of December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$5,552	\$6,509
Accounts receivable	28,904	48,542
Inventories	41,584	49,643
Deferred tax assets	9,745	2,214
Prepaid expenses and other current assets	4,131	3,561
Prepaid income taxes	2,925	2,925
Total Current Assets	92,841	113,394
Property and equipment, net	6,229	7,369
Deferred financing costs, net	449	1,575
Deferred tax assets, long-term portion	6,322	827
Intangible assets, net	40,210	3,972
Goodwill	80,868	—
Other assets	119	170
TOTAL ASSETS	\$227,038	\$127,307
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Revolving credit facilities	\$34,490	\$39,736
Term loan, current portion	—	14,500
Subordinated notes	17,737	—
Accounts payable	28,833	44,136
Accrued liabilities	10,341	8,615
Due to shareholders, current portion	3,125	3,125
Capital lease obligation, current portion	38	—
Other current liabilities	288	1,097
Total Current Liabilities	94,852	111,209
Series B redeemable preferred stock	13,983	13,713
Income tax payable, long-term portion	1,986	1,986
Capital lease obligation, long-term portion	75	—
Deferred tax liabilities	14,325	850
Subordinated note	—	10,342
TOTAL LIABILITIES	125,221	138,100
Commitments and Contingencies		
Series A convertible stock, \$0.01 par value - 50,000,000 shares authorized; 48,689,555 shares issued and outstanding as of December 31, 2013	—	24,345
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, \$0.001 par value - 50,000,000 shares authorized; 37,651,247 shares issued and outstanding as of March 31, 2014 and 12,700,460 shares issued and	38	13

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outstanding as of December 31, 2013

Additional paid-in capital	85,678	(54,031)
Retained earnings	15,868	18,775	
Accumulated other comprehensive income	233	105	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	101,817	(35,138)
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	\$227,038	\$127,307	

See accompanying notes to Condensed Consolidated Financial Statements

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Parametric Sound Corporation
Condensed Consolidated Statements of Operations
(unaudited)
(in thousands)

	Quarter Ended March 31, 2014	Quarter Ended March 31, 2013	
Net Revenue	\$38,288	\$29,533	
Cost of Revenue	26,012	20,908	
Gross Profit	12,276	8,625	
Operating expenses:			
Selling and marketing	7,000	5,706	
Research and development	1,998	887	
General and administrative	3,573	2,370	
Business transaction costs	4,228	—	
Total operating expenses	16,799	8,963	
Operating loss	(4,523) (338)
Other (income) expense, net:			
Interest expense	4,240	1,314	
Other (income) expense, net	(25) 389	
Total other expense, net	4,215	1,703	
Loss before (benefit) provision for income taxes	(8,738) (2,041)
(Benefit) provision for income taxes	(5,832) 263	
Net loss	\$(2,906) \$(2,304)
Net loss per share:			