

Aware, Inc. Reports Third Quarter 2013 Financial Results

Written by Australian Business

BEDFORD, Mass., Oct. 28, 2013 /PRNewswire/ -- Aware, Inc. (NASDAQ: [AWRE](#)), a leading supplier of biometrics software and services, today reported financial results for its third quarter ended Sep
tember 30
, 2013.

Revenue for the third quarter of 2013 was \$4.5 million, a decrease of 15% compared to \$5.3 million in the same quarter last year. The net loss for the third quarter of 2013 was \$1.2 million, or \$0.05 per diluted share, which compares to net income of \$10.3 million, or \$0.46 per diluted share, for the same period a year ago. Net income in the third quarter of 2012 included a gain on the sale of patent assets of \$15.2 million. Operating income before patent related income in the third quarter of 2013 was a loss of \$2.2 million compared to income of \$1.4 million in the third quarter of 2012.

For the nine months ended September 30, 2013, revenue increased 5% to \$14.9 million, compared to \$14.2 million in the same period a year ago. Net income for the nine months ended September 30, 2013

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was

\$1.0 million

, or

\$0.04

per diluted share. These results compared to net income of

\$66.3 million

, or

\$3.03

per diluted share, for the same period a year ago. Year-to-date net income in 2012 included an \$86.4 million

gain on the sale of patent assets. Operating income before patent related income for the first nine months of 2013 was

\$134,000

compared to

\$2.6 million

for the same period a year ago.

Financial results for the three and nine month periods ended September 30, 2013 were materially affected by the Company's decision to shut down its DSL service assurance business. This decision limited our ability to record revenue from our DSL service assurance business in the quarter. We also incurred

\$2.8 million

of costs to shutdown the business. Notwithstanding the impact on the quarter and year-to-date periods, we believe this action was necessary in light of the lack of historical profitability and the future outlook for this business.

Our biometrics business was and is unaffected by this decision and continues to perform well. We encourage you to read our third quarter Form 10-Q for more details on the financial performance of our company.

Rick Moberg, Aware's co-chief executive officer and chief financial officer, said, "While shutting down the DSL service assurance business was not an easy decision, we believe this action was in the best interests of the Company and its shareholders. We are excited to move forward focused on growing our profitable biometrics business."

About Aware Aware is a leading software and technology supplier for the biometrics and healthcare industries. Aware's biometrics software products and services are provided to solution vendors and system integrators for use by government agencies towards applications

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including border management, secure credentials, law enforcement, and national defense. Aware also provides standards-based medical imaging software products to the healthcare industry. Aware is a publicly held company (Nasdaq: [AWRE](#)) based in Bedford, Massachusetts

www.aware.com

Safe Harbor Warning Portions of this release contain forward-looking statements regarding future events and are subject to risks and uncertainties, such as estimates or projections of future revenue and earnings, and the growth of the biometrics markets. Aware wishes to caution you that there are factors that could cause actual results to differ materially from the results indicated by such statements.

General factors include, but are not limited to: our quarterly results are unpredictable and may fluctuate significantly; our business is subject to rapid technological change; we face intense competition from a wide range of competitors; our intellectual property is subject to limited protection; our business may be affected by our use of open source software; our business may be affected by government regulations; adverse economic conditions; and our ability to obtain or enforce patents could be affected by new laws, regulations or rules. Biometric factors include, but are not limited to: market acceptance of our biometric technologies and products; changes in contracting practices of government or law enforcement agencies; the failure of the biometrics market to experience continued growth; announcements or introductions of new technologies or products by our competitors; failures or problems in our biometric software products; delays in the adoption of new industry biometric standards; growth of proprietary biometric systems which do not conform to industry standards; our ability to sell services contracts in a manner that is consistent with our business model; our ability to deliver services contract milestones; and our dependence on third party contractors and consultants to deliver certain services contract milestones.

We refer you to the documents Aware files from time to time with the Securities and Exchange Commission, specifically the section titled Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2012 and other reports and filings made with the Securities and Exchange Commission.

Aware is a trademark or registered trademark of Aware, Inc. Any other trademarks appearing herein are the property of their respective owners.

AWARE, INC

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

Three Months Ended September 30,

Nine Months Ended September 30,

2013

2012

2013

2012

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Revenue:

Software licenses

\$2,334

\$3,387

\$7,704

\$8,070

Software maintenance

1,023

661

3,187

2,471

Services

943

724

2,179

2,100

Hardware sales

-

-

1,129

-

Royalties

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170

484

737

1,599

Total revenue

4,470

5,256

14,936

14,240

Costs and expenses:

Cost of hardware sales

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-

-

813

-

Cost of services

494

421

1,075

1,138

Research and development

1,452

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1,466

4,504

4,431

Selling and marketing

931

1,069

2,998

3,143

General and administrative

922

854

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2,580

2,915

Exit costs

2,832

-

2,832

-

Total costs and expenses

6,631

3,810

14,802

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11,627

Operating income (loss) before patent related income

(2,161)

1,446

134

2,613

Gain on sale of patent assets

-

15,167

-

86,394

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Income from patent arrangement

-

-

780

-

Operating income (loss) after patent related income

(2,161)

16,613

914

89,007

Other income

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27

-

27

85

Interest income

80

45

239

137

Income (loss) from continuing operations before income taxes

(2,054)

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16,658

1,180

89,229

Provision for (benefit from) income taxes

(901)

6,578

169

23,248

Income (loss) from continuing operations

(1,153)

10,080

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1,011

65,981

Income from discontinued operations, net of income taxes

-

217

-

360

Net income (loss)

(\$1,153)

\$10,297

\$1,011

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\$66,341

Basic net income (loss) per share:

Basic net income (loss) per share from continuing operations

(\$0.05)

\$0.45

\$0.04

\$3.05

Basic net income per share from discontinued operations

0.00

0.01

0.00

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0.02

Basic net income (loss) per share

(\$0.05)

\$0.46

\$0.04

\$3.07

Diluted net income (loss) per share:

Diluted net income (loss) per share from continuing operations

(\$0.05)

\$0.45

\$0.04

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\$3.01

Diluted net income per share from discontinued operations

0.00

0.01

0.00

0.02

Diluted net income (loss) per share

(\$0.05)

\$0.46

\$0.04

\$3.03

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Weighted-average shares – basic

22,571

22,339

22,533

21,609

Weighted-average shares - diluted

22,571

22,501

22,623

21,888

Comprehensive income (loss):

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Net income (loss)

(\$1,153)

\$10,297

\$1,011

\$66,341

Other comprehensive income:

Unrealized gains (losses) on available for sale securities

(26)

(4)

(6)

16

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Comprehensive income (loss)

(\$1,179)

\$10,293

\$1,005

\$66,357

AWARE, INC

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(unaudited)

September 30,

2013

December 31,

2012

ASSETS

Cash and investments

\$78,380

\$73,084

Accounts receivable, net

2,754

4,578

Property and equipment, net

5,644

5,904

Deferred tax assets

1,575

1,760

Other assets, net

1,294

528

Total assets

\$89,647

\$85,854

LIABILITIES AND STOCKHOLDERS' EQUITY

Total current liabilities

\$6,350

\$3,639

Long-term deferred revenue

40

319

Total stockholders' equity

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83,257

81,896

Total liabilities and stockholders' equity

\$89,647

\$85,854

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