

DATA I/O CORP  
Form 10-Q  
May 14, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

(Mark One)

- (X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarter ended **March 31, 2007**

OR

- ( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
Or the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **0-10394**

## DATA I/O CORPORATION

(Exact name of registrant as specified in its charter)

Washington  
(State or other jurisdiction of  
incorporation or organization)

91-0864123  
(I.R.S. Employer  
Identification No.)

6464 185<sup>th</sup> Ave, N.E., Suite 101, Redmond, WA 98052

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(Address of principal executive offices, including zip code)

(425) 881-6444

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

8,522,928 shares of no par value of the Registrant's Common Stock were issued and outstanding as of May 7, 2007.

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**DATA I/O CORPORATION**

**FORM 10-Q**

**For the Quarter Ended March 31, 2007**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****DATA I/O CORPORATION****CONSOLIDATED BALANCE SHEETS**

| (in thousands, except share data)                                                     | Mar. 31,<br>2007<br>(unaudited) | Dec. 31,<br>2006 |
|---------------------------------------------------------------------------------------|---------------------------------|------------------|
| <b>ASSETS</b>                                                                         |                                 |                  |
| <b>CURRENT ASSETS:</b>                                                                |                                 |                  |
| Cash and cash equivalents                                                             | \$3,391                         | \$2,478          |
| Trade accounts receivable, less allowance for<br>doubtful accounts of \$203 and \$199 | 6,950                           | 8,496            |
| Inventories                                                                           | 5,270                           | 5,052            |
| Other current assets                                                                  | 418                             | 491              |
|                                                                                       | <hr/>                           | <hr/>            |
| TOTAL CURRENT ASSETS                                                                  | 16,029                          | 16,517           |
| Property and equipment - net                                                          | 2,892                           | 2,852            |
| Other assets                                                                          | 118                             | 122              |
|                                                                                       | <hr/>                           | <hr/>            |
| TOTAL ASSETS                                                                          | <u>\$19,039</u>                 | <u>\$19,491</u>  |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                                            |                                 |                  |
| <b>CURRENT LIABILITIES:</b>                                                           |                                 |                  |
| Accounts payable                                                                      | \$1,506                         | \$1,673          |
| Accrued compensation                                                                  | 1,002                           | 1,210            |
| Deferred revenue                                                                      | 1,824                           | 1,564            |
| Other accrued liabilities                                                             | 1,300                           | 1,194            |
| Accrued costs of business restructuring                                               | 202                             | 2                |
| Income taxes payable                                                                  | 5                               | 7                |
| Notes payable                                                                         | 113                             | 112              |
|                                                                                       | <hr/>                           | <hr/>            |
| TOTAL CURRENT LIABILITIES                                                             | 5,952                           | 5,762            |
| Long-term debt                                                                        | 420                             | 446              |
| COMMITMENTS                                                                           | -                               | -                |
| <b>STOCKHOLDERS EQUITY:</b>                                                           |                                 |                  |
| Preferred stock -                                                                     |                                 |                  |
| Authorized, 5,000,000 shares, including                                               |                                 |                  |
| 200,000 shares of Series A Junior Participating                                       |                                 |                  |
| Issued and outstanding, none                                                          | -                               | -                |
| Common stock, at stated value -                                                       |                                 |                  |
| Authorized, 30,000,000 shares                                                         |                                 |                  |
| Issued and outstanding, 8,510,273                                                     |                                 |                  |
| and 8,481,563 shares                                                                  | 20,198                          | 20,053           |
| Accumulated deficit                                                                   | (8,046)                         | (7,261)          |

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|                                            |          |          |
|--------------------------------------------|----------|----------|
| Accumulated other comprehensive income     | 515      | 491      |
|                                            | <hr/>    | <hr/>    |
| TOTAL STOCKHOLDERS' EQUITY                 | 12,667   | 13,283   |
|                                            | <hr/>    | <hr/>    |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$19,039 | \$19,491 |
|                                            | <hr/>    | <hr/>    |

*See accompanying notes to consolidated financial statements.*

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## DATA I/O CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

| For the three months ended<br>(in thousands, except per share data) | Mar. 31,<br>2007 | Mar. 31,<br>2006 |
|---------------------------------------------------------------------|------------------|------------------|
| Net sales                                                           | \$6,028          | \$6,413          |
| Cost of goods sold                                                  | 2,708            | 3,003            |
|                                                                     | <hr/>            | <hr/>            |
| Gross margin                                                        | 3,320            | 3,410            |
| Operating expenses:                                                 |                  |                  |
| Research and development                                            | 1,370            | 1,306            |
| Selling, general and administrative                                 | 2,538            | 2,639            |
| Provision for business restructure                                  | 201              | -                |
|                                                                     | <hr/>            | <hr/>            |
| Total operating expenses                                            | 4,109            | 3,945            |
|                                                                     | <hr/>            | <hr/>            |
| Operating income (loss)                                             | (789)            | (535)            |
| Non-operating income (expense):                                     |                  |                  |
| Interest income                                                     | 22               | 43               |
| Interest expense                                                    | (10)             | -                |
| Gain on sale                                                        | -                | 6                |
| Foreign currency exchange                                           | (2)              | 3                |
|                                                                     | <hr/>            | <hr/>            |
| Total non-operating income (expense)                                | 10               | 52               |
|                                                                     | <hr/>            | <hr/>            |
| Income (loss) before income taxes                                   | (779)            | (483)            |
| Income tax expense                                                  | 6                | 29               |
|                                                                     | <hr/>            | <hr/>            |