Monotype Imaging Holdings Inc.
Form 10-K
February 26, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

þ   **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

¨   **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 001-33612

MONOTYPE IMAGING HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3289482**
(State of incorporation)	**(I.R.S. Employer Identification No.)**
600 Unicorn Park Drive	
Woburn, Massachusetts	**01801**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (781) 970-6000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Exchange on Which Registered**
Common Stock, $0.001 par value	**The NASDAQ Stock Market LLC**

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.   Yes þ   No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.   Yes ¨   No þ

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 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 þ   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 þ   No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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. (Check one):

Large accelerated filer þ   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 Act).   Yes ¨   No þ

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant, computed by reference to the last reported sale price of the common stock as reported on the NASDAQ Global Select Market on June 30, 2015 was approximately $826,296,642 (assumes officers, directors, and all shareholders beneficially owning 5% or more of the outstanding common shares are affiliates).

The number of shares outstanding of the registrant s common stock as of February 18, 2016 was approximately 40,071,419.

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the registrant s definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2015 Annual Meeting of Stockholders are incorporated herein by reference into Part III of this report.

MONOTYPE IMAGING HOLDINGS INC.

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As used in this report, the terms we, us, our, Monotype and the Company mean Monotype Imaging Holdings Inc. and its subsidiaries, unless context indicates another meaning.

Unless otherwise noted, all dollar amounts in this report are expressed in United States dollars.

We own, have rights to, or have applied for the trademarks and trade names that we use in conjunction with our business, including our name and logo. All other trademarks and trade names appearing in this report are the property of their respective holders.

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PART I

Item 1.   *Business*

Certain statements in this Annual Report on Form 10-K are   forward-looking statements   within the meaning of Section 27A of the Securities Act of 1933, as amended (the   Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the   Exchange Act). These statements involve a number of risks, uncertainties and other factors that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors which could materially affect such forward-looking statements can be found in the section entitled   Risk Factors   in Part 1, Item 1A in this Annual Report on Form 10-K. Investors are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date hereof and we will undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Overview

Monotype Imaging Holdings Inc. is a leading provider of type, technology and expertise for creative applications and consumer devices. Our vision is that our fonts and technology empower every word and experience. We help creative professionals, consumer device manufacturers and independent software vendors connect their brands, content, products and services to consumers and businesses everywhere. Monotype is home to some of the world s most well-known typeface collections. Along with our custom type services, our solutions enable consumers and professionals to express their creativity, while our tools and technologies improve creative workflows and maximize efficiency as content is published or distributed. Our solutions provide worldwide language coverage and high-quality text, and our embedded solutions support compelling user experiences.

To best serve our customers, our business is organized as follows:

Creative Professional Our focus is to help customers worldwide provide high-quality, branded or personalized content across multiple devices and mediums. Our solutions, which include type, branded mobile content, custom design services, and tools and technologies that enable the creative process, are licensed through our direct sales channel, e-commerce platforms and partner platforms. We work with a wide range of customers, including brands, agencies, publishers, corporations, enterprises, small businesses and individuals.

OEM Our focus is to provide consumer device manufacturers and independent software vendors, or ISVs, the right solutions for delivering consistent, compelling user experiences. Our solutions power the visual expression of the leading makers of a wide range of devices, including laser printers, digital copiers, mobile phones, e-book readers, tablets, automotive displays, digital cameras, navigation devices, digital televisions, set-top boxes, consumer appliances and Internet of Things devices, as well as provide a high-quality text experience in numerous software applications and operating systems.

Our principal office is located in Woburn, Massachusetts, with regional offices in Los Altos, California; Boulder, Colorado; Elk Grove Village, and Chicago, Illinois; New York, New York; Belfast, Northern Ireland; Penarth, Salfords, and London, United Kingdom; Bad Homburg, and Berlin, Germany; Noida, India; Hong Kong, China; Seoul, South Korea; and Tokyo, Japan.

Industry Overview and Market Opportunity

People and businesses face a world of unparalleled access to content. News, blogs, social media, photos, mobile messaging, videos, movies and television shows are consumed across a growing number of

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devices as screens and Internet connectivity become ubiquitous. For creative professionals including brand managers, agencies and other marketing professionals who author and provide content, an important challenge is creating content once and having it distributed seamlessly and consistently to consumers everywhere, regardless of their consumption medium. For device manufacturers, the challenge is creating a way that allows users to easily consume content with the look the author intended. In all of these environments, consumers look for opportunities to personalize content and express themselves creatively through their social media interactions and messaging. In each case, the goal is to provide a great user experience and a platform for self-expression. We serve a wide spectrum of markets that tap into content creation, distribution and consumption (which we refer to as the content continuum) with a range of products, technologies and services that make workflows more efficient, provide a choice of fonts for creativity and expression, and result in a great user experience.

Overarching themes that matter to these markets include:

Mobile is the dominant platform. Consumer reliance on traditional personal computers for communication, computing and accessing content is declining rapidly. The majority of the installed base of global Internet devices is smart phones and tablets. Mobile devices provide convenient and ubiquitous connectivity. This migration is changing consumer behavior. In the U.S., mobile is the only platform for media consumption that has shown an increase in share over the last five years, according to Kleiner Perkins partner Mary Meeker s 2015 Internet Trends report. This pattern is particularly evident among consumers younger than 35.

The value of a device comes from its being part of an ecosystem. Manufacturers of consumer electronics as well as other connected devices (e.g. cars, appliances and Internet-of-Things devices) are building products that connect to each other and to the cloud in order to accelerate product innovation and extend the capabilities of these devices. In addition, consumers use their connected devices as platforms for consuming content and communicating with others, both devices and consumers.

User networks can be monetized in new ways. A related trend is that device manufacturers and application platform providers are seeking new ways to add value to their customers so that they can find new sources of revenue. Having a network of users creates opportunities for an OEM or an application provider to offer services and add-on options. Examples of diversifying revenue streams include printer manufacturers providing managed print services and over-the-top messaging applications inclusion of in-app stores for consumers to purchase emoji, games and other virtual goods.

Personalization is becoming the foundation for brand relationships. Personalization takes two forms. The first is an extension of the two preceding trends. Connected devices and the desire to monetize devices and application environments provide the capability and incentive for manufacturers and application developers to offer ways for their users to personalize devices, communications and content. The second is an expectation from consumers that content, including advertising, should always be personalized and targeted to the individual. Non-targeted content is increasingly viewed as a distraction or an intrusion. The inverse of this trend is that younger consumers want to participate actively with brands that they perceive as aligning with their lifestyles and values. This desire to interact with specific brands transforms consumers into brand advocates, when communication and targeting are done effectively.

Data and analytics are core to the connected world. Underlying effective content targeting is the need for thorough understanding of users and their behavior. Marketers, product developers and media providers all need to draw insights from consumer data that can be incorporated into actions that build consumer loyalty and foster ongoing interactions between the brand and its consumers.

Our customers turn to us for comprehensive, powerful and easy-to-use solutions based on our type, technology and expertise, which address the needs of three types of customers: content creators;

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consumer device manufacturers; and independent software vendors. These customers use our products to enhance user experiences and the creation, display and consumption of digital and print content.

Content Creators

Content creators include brands, advertising agencies, graphic designers, printers, publishers, and non-professional creators of content (such as social media users, designers, bloggers and self-publishers). Content creators produce digital and/or printed material, and they seek creative ways to convey meaning and differentiate identity. Fonts are an important tool for this differentiation. For example, creative professionals at multinational corporations are increasingly tasked with creating solutions that extend their brand into new markets. The challenge is to ensure that branding efforts are reflected consistently in every communication, regardless of media. In addition, creative professionals need design tools that integrate seamlessly into their workflows, making them more efficient. Web fonts, which travel with the content to a user s connected device for consistent viewing regardless of the environment, are an example of a solution that addresses the needs of creative professional customers. Social media and messaging platforms offer a wide range of opportunities for consumers (non-professional creatives) to express a personal brand. Stickers, emoji and fonts allow consumers to communicate who they are in fun and expressive ways and may also provide analytics back to the brand.

Consumer Device Manufacturers

Consumer devices are easily recognized as platforms for consuming content. These devices increasingly require robust multimedia functionality, as consumers create and share videos, animations and other rich-media and interactive content across various mobile devices. Consumer device manufacturers must display multimedia content, including text, from these different sources, while being expected to provide a consistent look-and-feel across devices, support worldwide languages and, in many cases, support enhanced personalization. As technologies enable media to move seamlessly from one device to another, scalable, multilingual type and related display solutions that are optimized for these devices become ever more critical. For example:

The automotive industry is increasingly moving toward digital displays with complex, worldwide language requirements. In addition, the industry is becoming more aware of legibility as a factor in helping to reduce driver distraction.

Digital TVs are incorporating scalable text for menu navigation, content delivery and connectivity.

Electronic publishing and the prevalence of e-book readers are driving the publishing industry s need for robust, global text-display solutions.

PC-like rich media functionality has moved to mobile platforms, driving the adoption of scalable text on phones, tablets and similar devices.

Appliance manufacturers worldwide are adding Internet connectivity and control panels with enhanced graphical user interfaces to improve the user experience and to provide consumers with additional control and functionality.

The market for laser printers and digital copiers is generally more mature than the rest of the consumer device market. As a result, the least expensive end of the market is becoming more commoditized. Laser printer manufacturers are responding by increasing the functionality of their products with advances such as a larger number of embedded fonts, enhanced control panel functionality, and creating new printing paradigms and services offerings, including mobile printing and managed print services. The increased capabilities are helping to drive the advancement of the printer industry, particularly the laser printer segment in emerging markets such as Asia. With this in mind, increased reliance by laser printer manufacturers on enhancing technologies to drive value, together with advancing capabilities and functionality of multimedia devices, favor comprehensive global text solutions and related technologies.

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Independent Software Vendors and Developers

Similar to consumer devices, software solutions and cloud services are marketed globally. For example, ISVs require multilingual text solutions for product user interfaces as well as a range of type to add functionality to applications. Mobile device game developers want a distinctive and consistent typeface for their games, especially when the game is designed to run on multiple devices and consoles. In addition, developers want to customize their offerings with fonts specific to their vertical market or geographic regions.

ISVs and platform developers are increasingly distributing their solutions through software-as-a-service, cloud-based models and to multiple devices including PCs, mobile phones, game consoles, tablets and other devices. As a result, developers require font technologies that allow products to maintain a consistent, high-quality user experience regardless of the device and its screen resolution.

Our Products

We provide high-quality creative assets and technology solutions that empower marketers to achieve global brand fidelity and drive consistent user experiences across a wide variety of offline and online media. These design assets and user experiences extend to new forms of mobile engagement to broaden a brand s reach through consumer social endorsement. We also provide the engineering solutions to enable those same global brand fidelity and user experiences via any device screen or printer.

Creative Assets to Build Global Brands and Enhance User Experiences

Type at the forefront

The core of our business, the Monotype® Libraries, comprise some of the largest and most trusted inventories of typefaces in the world. Included in the continuously expanding Monotype, Linotype®, FontFont®, ITC®, Ascender and Bitstream collections, which contain more than 16,000 typefaces, are some of the world s most well-known designs, such as the Times New Roman, Helvetica®, Frutiger®, ITC Franklin Gothic , FF Meta® and Droid typefaces.

Our e-commerce websites including *myfonts.com, fonts.com*, *fontshop.com* and *linotype.com* offer thousands of high-quality font products, including our own libraries as well as fonts from third parties. Our sites attracted more than 80 million visits in 2015 from over 200 countries and territories.

Our Fonts.com Web Fonts service features more than 50,000 high-quality web fonts for website design and digital ads. Fonts.com Web Fonts offers a superior range of fonts, language support and workflow capabilities, in addition to multiple licensing options, including subscription plans and self-hosting opportunities. Our hinted web fonts are designed especially for the online environment, providing web designers and content developers with type that upholds a high display quality in any browser.

The Monotype Library Subscription is an easy-to-use font subscription service that provides individuals, designers and small teams with the ability to access, install and use typefaces from the Monotype Library. This provides customers with access to more than 9,000 of the world s most popular fonts for a nominal monthly fee.

The Monotype Enterprise License is a program that offers unlimited and instantaneous typeface experimentation and a clear-cut licensing model. It is designed to give brands and agencies the flexibility and dependability they need to create beautiful, consistent brand expressions. Customers can install an unlimited number of desktop fonts from a selection of more than 9,000 fonts from the Monotype Library for an annual fee**.**

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Our font solutions for consumer device manufacturers, including our Edge[TM] and SmartHint[TM] technologies, enable precise pixel adjustments to enable fonts to display with optimal quality in suboptimal display environments.

Our core sets of fonts for printer manufacturers consist of the PCL® (Printer Command Language) 6 and PostScript® 3 font collections. These fonts are designed for compatibility with Hewlett Packard, or HP, and Adobe Systems Incorporated, or Adobe, font specifications.

Design assets for social brand endorsement

Our mobile engagement platform powered by Swyft Media helps brands and advertisers become a part of the world s largest conversation by creating and distributing branded content that consumers want and share with friends across a wide variety of mobile and social apps.

Technology Foundation to Build and Enable Engaging User Experiences

Global brand engagement and advertising through mobile social channels

Swyft Media s innovative Mobile Engagement Platform gives advertisers and brands an opportunity to use branded ad units like emoji, digital stickers, GIFs, photo frames, photo filters, chat and video to reach and engage millennials and young consumers in the places they spend the most time mobile and social apps.

Creative tools to build robust user experiences

Our web fonts extension for Adobe® Photoshop® CC and version CS5 or higher allows the use of our high-quality web fonts for greater quality and accuracy, and enables users to proof and prototype their work within the Photoshop canvas.

Our FontGazer[TM] plug-in allows users to search, purchase and install new typefaces without having to close or turn away from an open Adobe InDesign® file.

Our Typecast[TM] application is an award-winning browser-based tool that enables designers to create working web page prototypes using simple visual controls. With the Typecast application, designers can easily draft copy, compare fonts side-by-side, publish and share projects for feedback and review, and easily export production-ready HTML and CSS.

Our cloud-based SkyFonts[TM] technology is a patent-pending, lightweight utility that runs in the background of Macintosh® or PC workstations, allowing for the temporary installation of desktop fonts and the ability to sync them on up to five workstations. SkyFonts is integrated into Fonts.com, Google Fonts, MyFonts.com and Membership by Monotype. Paired with these services, SkyFonts provides effortless access to thousands of quality typefaces to browse, try, and install typefaces almost instantly.

Our FontExplorer® X Pro and FontExplorer X Server font management solutions provide powerful, flexible and easy-to-use capabilities for managing and accessing fonts.

Our Fontwise® product is a comprehensive font license management solution that allows creative and business professionals to audit, manage and purchase font licenses.

Screen Imaging Technologies

Our iType® font scaling engine renders high-quality display of text in every major language and in any size on memory-constrained devices, including, but not limited to, automotive displays, mobile phones, e-readers, tablets, set-top boxes and digital cameras, and is fully compatible with the industry-standard TrueType® and OpenType® font formats.

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Our iType Connects plug-ins streamline the process of integrating iType by providing a pre-integrated solution for common consumer device platforms.

Our WorldType® Layout Engine enables consumer devices to accurately compose, position and render multilingual text, including text composed in complex writing systems such as Indic, Arabic and Hebrew scripts.

Our WorldType Shaper product provides customers with existing layout systems the ability to integrate intelligent shaping and bidirectional capabilities to support complex scripts.

Our Monotype® Spark   software is a small, yet powerful type and technology solution for developing high-quality, scalable text interfaces in low-end platforms with limited run-time memory. Designers and engineers are now able to create flexible, scalable text displays in low and mid-end devices like wearables, medical devices and low-to-mid-end automotive clusters, without investing a substantial amount of work or money in additional hardware or memory. Monotype Spark makes the type on these devices more beautiful and enables product manufacturers to keep development costs low and create an easy path to scale devices to support new languages and character sets in the future.

Our Edge rendering technologies preserve the look of high-quality text on a wide range of displays, even at small text sizes. Resolution and display technologies such as LCD or e-paper can significantly affect the visual display of rendered text. Edge Technology encompasses Edge Tuner, the ability to   tune   the rendered output, and Edge Hinting, a method for fine-tuning individual characters. Edge Tuning and Edge Hinting help customers achieve superior visual results using scalable fonts in a low memory footprint.

Our Edge360™ technology brings advanced textual effects to 2D and 3D user interfaces, applications and games. For example, text can be zoomed in and out very quickly without having to re-render the text at the end of the zoom process. Text can be rotated in three dimensions   all while retaining clarity throughout the process.

Our SmartHint technology maintains the clarity of East Asian stroke-based fonts at any size. At small sizes, SmartHint technology preserves spatial relationships and removes strokes, if necessary, without changing the meaning of characters.

Our Type Enhancements for Android® products bring rich, high-quality text and worldwide language support to Android 4.0 devices. OEMs are able to meet a wide range of requirements, including the ability to deliver crisp, readable text in multiple languages, superior web browsing experiences and end-user personalization through user-selected fonts.

Our FlipFont™ mobile font download solution allows users to personalize and enhance the user interface and menus of their Android phones, making them more appealing and fun to use. Android handset manufacturers can enable FlipFont so users easily connect to an online selection of fonts, choose a new typeface, purchase the font, and safely download and install it.

Printer Imaging Technologies

Our Universal Font Scaling Technology, or UFST® font scaling engine, and our MicroType® font compression technology, are our primary solutions for laser printer manufacturers. Our font scaling engine and font compression technologies are compatible with virtually all font formats and industry standards, including the PostScript and PCL printing languages.

Our printer driver kits enable printer manufacturers to create customized laser printer drivers that allow applications to print as intended.

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Design and Technology Expertise to Support Global Brand Initiatives

Our Monotype Studio provides expert consultation and custom type design services to help customers articulate their distinctive brand value through type. We have strong relationships with a broad network of highly talented font designers. Working directly with clients and through branding agencies, our type design experts have developed the branding fonts used by many Fortune 1000 companies.

Our Monotype engineers provide technology support and professional services to make the most of our display and printing technologies. We help start-ups to Fortune 1000 companies get their products to market quickly with less risk by using proven, high-quality, scalable solutions.

Competitive Strengths

We are a leading global provider of type, technology and expertise that enable the best user experiences and ensure brand integrity. Our core strengths include:

Type. Our Monotype Libraries, comprised of the Monotype, Linotype, ITC, Ascender, FontFont and Bitstream type collections, are some of the world s best known inventories of type. Our selection is continuously expanding, adding even more fonts from some of the world s best type designers. Today, we offer more than 25,000 typeface designs, featuring a rich blend of timeless classics and cutting-edge designs, which support more than 250 Latin and non-Latin languages. Our hinted web fonts provide web designers and content developers with type that displays with high-quality in any browser. Our hinting and rendering technologies for consumer devices ensure high-quality display on any screen, regardless of text size or language used. Our solutions for printer manufacturers ensure high-quality output and flexibility to meet specific requirements.

Technological and Intellectual Property Leadership. Our technologies are key to providing unique, flexible and comprehensive solutions for content creation, distribution and consumption, and we continue to invest in extending our technology and market leadership positions. For example, we offer web fonts that are hand-hinted by experts to deliver a high-quality experience on the web. Our Monotype Spark solution draws from our iType and WorldType Layout solutions to bring high-quality text rendering to low-memory devices, enabling devices such as wearables to improve their user interfaces. The flexibility of our offerings enable us to provide tailored, comprehensive solutions, like the Monotype Portfolio for Automotive, which brings type, technology and expert consultation to the automotive industry.

Expertise, Experienced Leadership and Employee Base. Our expertise in font design and engineering gives us a strong foundation to meet tough challenges in today s consumer environments. We re home to some of the world s top type designers who provide expert consultation and custom design services to help customers articulate their distinctive brand values. Our experts work closely with customers to achieve goals like developing successful brand identities, expanding brands into global markets and managing the consistent use of a brand across an organization. Our employee base includes some of the world s most experienced professionals who intimately understand typefaces and software.

Established Relationships with Market Leaders. Several of our customer relationships date back 25 years or more. Our OEM customers are many of the largest and most successful companies in each of the markets they serve. In the consumer device space, we provide solutions to market leaders like Google, Apple, Microsoft and Amazon. In the laser printer market, our customers include eight of the top ten laser printer manufacturers based on the volume of units shipped worldwide. Our Creative Professional customers include major international media, publishing and marketing solutions companies, such as Hearst Magazines and Pearson, as well as other large publishers and major design firms.

Global and Multi-Channel Presence. In 2015, 2014 and 2013, 45.5%, 47.6% and 45.3% of our revenue, respectively, was derived from sales by our operating subsidiaries located in the United Kingdom,

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Germany, China and Japan. Our customers are located throughout the world, and we have built an extensive customer base of creative professionals and OEMs. Our websites including *myfonts.com*, *fonts.com*, *fontshop.com* and *linotype.com* provide us with a substantial online presence. Our technologies and font IP are crucial to our OEM customers who manufacture high-volume consumer devices that have multimedia functionality and multinational distribution. We support all of the world s major languages and have specifically designed our solutions for displaying rich content in Asian and other non-Latin languages. We enable OEM customers to engineer a common platform supporting multiple languages, reducing costs and time to market, and increasing product flexibility. China, Japan and Korea are increasingly becoming centers of design, manufacturing and consumers of consumer devices, and we have more than 25 years of experience partnering with leading Asian companies such as Ricoh, Samsung, Toshiba and Kyocera Mita.

Attractive Business Model. We have a significant, recurring base of licensing revenues that is based, in part, on multi-year financial commitments by our customers. Our revenues are also highly predictable primarily because of our established relationships with OEMs and quarterly royalty reports we receive from them, the high volume of web transactions and growing recurring direct business. Other revenue contracts have renewable term licenses, and in Creative Professional, our web font service is primarily a subscription-based model, providing a recurring stream of revenue. In addition, the high volume of low-dollar web transactions runs at a predictable rate, which together lends to an overall recurring and predictable revenue base of over approximately 85% of our total revenue. As a technology licensing business, we generate significant cash flows from incremental OEM revenue. We have a relatively low cash tax rate which increases our cash flows, due primarily to the tax deductibility of goodwill associated with our U.S. and German subsidiaries and the tax impact of the Bitstream acquisition.

Our Strategy

Our strategy is to provide fonts and other design elements as well as relevant technologies to creative professionals and other content creators directly and through the environments in which they operate to empower their expression, and to device manufacturers, software developers and application providers directly to enable a foundation for a strong user experience and to enable their customers to personalize their user experiences. This strategy relies on our providing the best fonts, design assets, rendering technologies and font distribution technologies.

Our traditional offering focused on two distinct customer groups creative professionals and device manufacturers. Creative professionals created content for digital and print using individual workstation-based authorship tools. Output was sent to devices that rendered the content using fonts and rendering technology embedded on those devices, whose manufacturers were concerned with creating compelling user experiences and maintaining the look-and-feel of content sent to the devices in a manner consistent with the authors intent. These markets and their associated needs have evolved, opening new opportunities for Monotype. While a large amount of content is still produced using workstation-based applications for print-first distribution, more content is being produced for digital only or digital first. Creative workflows are more efficient when web-based tools are used, because they offer greater consistency of experience for the designer and more flexibility for experimentation. Users expect a consistent experience across any device they use to access content. In addition, consumers desire the ability to customize their virtual presence in social media and messaging environments and want to interact with the brands that they view as aligning with their individual lifestyles and values.

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From content creation to consumption, we strive to be the first place to turn for the type, technology and expertise that enable the best user experiences and ensure brand integrity, regardless of device, platform or language. Following are the key components of our strategy:

Creative Professional

Empower Creative Professionals with the Right Solutions as Requirements Shift from Print to Mobile, Web and Applications. Our focus is to help customers succeed as workflows and publishing environments become more complex, while building strategic, long-term relationships. To remain competitive, customers such as brands, agencies and publishers are diversifying to support a broad range of publishing environments, including the web, mobile devices, applications, as well as print. We provide a comprehensive selection of solutions, including typeface designs, custom typefaces, worldwide language support and fonts that are tuned to display in the highest quality, regardless of the output medium. Our licensing options provide flexible coverage to meet our customers unique and evolving requirements. And our subscription plans, web font offerings and workflow tools enable a high level of flexibility and functionality.

Position and Deliver our Solutions to Meet Evolving Markets and Requirements. The cornerstone of our e-commerce business is the Monotype Libraries, which comprise individual collections, including the Monotype, Linotype, ITC, FontFont, Ascender and Bitstream collections, in addition to fonts from independent foundries and individuals. These fonts are licensed to creative professionals and casual users through our e-commerce sites, including *myfonts.com, fonts.com*, *fontshop.com* and *linotype.com*. Our strong online presence includes access to web fonts, where our inventory of more than 50,000 high quality web fonts. In 2015, our websites attracted more than 80 million visits from over 200 countries and territories. In addition to e-commerce channels, fonts from our libraries as well as custom fonts are also licensed through our direct and indirect sales channels. And as casual users of fonts embrace personalization in the digital world, such as through our Swyft Media and FlipFont offerings, we provide a means for self-expression.

Fulfill Web Font Requirements as Customers Transition to HTML-5-Based Solutions for Digital Marketing Campaigns. Digital Marketing continues to be a significant area of focus for us, where we see opportunities for our fonts as part of dynamic, HTML-5-based marketing campaigns. As this market evolves, we are aligning our offerings in response to market developments, supporting emerging standards and establishing meaningful partnerships with key industry participants. Our goal is to be there for our customers when they are ready to take full advantage of web fonts in rich-media, digital marketing campaigns.

Enhance Personalization and Self Expression Across the Mobile Messaging Ecosystem from Brands, Advertisers and Platform Providers to the Mass Consumer Marketplace. Mobile messaging apps, photo sharing apps and other social platforms have become the backbone for communicating in today s world, especially among Millennials and younger consumers. In these environments, consumers are eager to personalize their text messages and their posts with branded content such as digital stickers and emoji. Swyft Media s Mobile Engagement Platform provides value to stakeholders across the mobile messaging ecosystem and provide access to many of the top messaging applications platforms through partnerships, including Viber, Kik and Kakao Talk. Brands and advertisers are able to reach consumers through branded, monetizable content that is integrated within the social experience. In addition, consumers are able to take advantage of shareable, branded content such as digital stickers and emoji to express themselves. Our goal is to expand opportunities with Swyft Media and provide even more value across the ecosystem.

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OEM

Display Imaging

Develop Innovative Solutions to Optimize the Deployment and Consumption of Text on all Digital Displays. Through our type, technology and expertise, we enhance digital lifestyles, regardless of medium or platform. Whether off-the-shelf or customized, our solutions are designed to help customers maintain brand integrity by incorporating text that is highly legible, brand faithful and supports the world s languages.

Increase Penetration of our Technologies and Fonts into a Wide Range of Device Categories. Our technologies and fonts play an important role in the mass-market success of device categories such as automotive displays, smart TVs, wearables, mobile devices and e-book readers and tablets. We have an established base of customers in these categories, and we will seek to expand within existing accounts as new models are added, or as new product lines are introduced. We intend to continue to pursue new design wins such as next-generation in-vehicle displays, helping customers to meet key requirements including brand integrity, high legibility and worldwide language support.

Diversify into the Wide-Ranging Category, the Internet of Things. The growing market of the Internet of Things represents an emerging opportunity to bring high-quality and scalable text to a vast range of new devices. The Monotype Spark solution, in addition to our fonts, positions us to enable the development of beautiful text interfaces for low-end, memory-constrained devices.

Printer Imaging

Leverage Our Long-Term Relationships. We constantly strive to strengthen these relationships by working closely with OEMs to fulfill evolving requirements, such as providing value-added solutions that differentiate offerings, reduce cost, or capitalize on new technology paradigms. For example, we offer printer manufacturers flexible, high-performance printer driver tool kits that support popular operating systems. OEMs are able to integrate and customize robust printing capabilities to gain a competitive edge. Our flexible architecture, support for multiple print languages and extensive use of common code enables printer manufacturers to speed products to market while reducing development time and costs. Using our solution to support multiple page description languages, in combination with our fonts and drivers, provides a more complete solution. By providing additional technologies and fonts, we seek to increase our value to customers and to expand our presence within our existing customer base.

Independent Software Vendors and Developers

Expand Support of ISVs to All Deployment Environments. Our core offering to ISVs and developers consists of providing fonts, custom typefaces and rendering technologies for language coverage, platform compatibility, user experience enhancement and creative expression. Options for accessing and deploying our software and applications have expanded from on-device to secure cloud-based services and combinations of the two. Our ISV strategy is to provision and license our fonts and tools to provide the flexibility ISVs need to create compelling offerings for devices like tablets, smartphones and medical devices, as well as for emerging categories such as wearables and the Internet of Things.

We will also seek to:

Expand and Deepen our Global Presence, Particularly in Asia. We intend to drive our revenue growth by leveraging our knowledge of global markets and through our global operations. We believe that economic growth in Asia will further the demand throughout Asia for our solutions. Through this organic expansion and possible acquisitions, we intend to increase our ability to service consumer device manufacturers and content creators throughout the world, as significant growth opportunities exist in these markets.

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Selectively Pursue Complementary Acquisitions, Strategic Partnerships and Third-Party Intellectual Property. We intend to continue to selectively pursue acquisitions, strategic partnerships and third-party intellectual property to accelerate our time to market with complementary solutions, penetrate new geographies and enhance our intellectual property portfolio. We believe that the market for our solutions is still fragmented. We have a demonstrated track record of identifying, acquiring and integrating companies that enhance our intellectual property portfolio. Our acquisition of TextPride, Inc., operating under the name of Swyft Media, a privately-held branded mobile content company on January 30, 2015 has helped us reach new customers, and continues to provide us with an opportunity to add value by including some of the world s largest and most popular collections of fonts. We acquired FontShop International GmbH and FontShop AG, privately-held font distributors and related intellectual property on July 14, 2014, expanding our reach to customers and enhanced our font library. Our acquisition of Mark Boulton Design Limited, a privately-held Web design studio on April 7, 2014, added to our depth of talented designers.

Our Customers

We are committed to serving the typographic and design needs of our customers. In today s global marketplace, where brands and technologies cross borders and industries seemingly instantaneously, we remain a trusted source for creative professionals, enterprises, application developers, device manufacturers and others who value and desire the highest-quality type available. Our technologies and services are sold to customers in two principal markets: Creative Professional and OEM. Our Creative Professional customers include branding and design agencies, as well as leading marketers and publishers. The OEM market consists of both consumer device manufacturers and independent software vendors. In 2015, 2014 and 2013 our revenue in these two markets was as follows (in thousands):

| Principal Markets | 2015 | | 2014 | | 2013 | |
	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
Creative Professional	$ 88,074	46%	$ 76,961	42%	$ 63,689	38%
OEM	104,345	54%	107,539	58%	102,935	62%
Total	$ 192,419	100%	$ 184,500	100%	$ 166,624	100%

Our solutions are embedded in a broad range of consumer devices and are compatible with most major operating environments. We partner with operating system and software application vendors such as Google, Apple, Microsoft, Oracle and Access, and have made our patented iType scalable font engine available as a plug-in for open source Linux® environments. Additionally, we are an active participant in the development of industry standards which pave the way for support of advanced typographic capabilities across multiple devices. We are active in the development of various technology standards, including the ISO/IEC core font technology standardization work through our participation in the ISO MPEG Committee, various projects coordinated by W3C Web Fonts Working Group and W3C Digital Publishing Interest Group, Interactive Advertising Bureau as an active contributor to the development of new HTML5 Digital Ads Guidelines and IDPF EPUB e-book standards. We serve as a chair of the W3C Web Fonts Working Group demonstrating our commitment of ensuring that web clients and applications effectively support fonts and font technologies, ultimately bringing to web developers and end users the highest level of text quality, performance and flexibility. In the past, we also contributed to a wide variety of standardization activities including the developments of hardware-accelerated vector graphics APIs (The Khronos Group), Java ME platforms for mobile devices (Java Community Project), DVB Multimedia Home Platform and OMA Rich Media Environment.

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Our customers are among the world s leading consumer device manufacturers and most well-known brands, including:

eight of the top ten laser printer manufacturers based on the volume of units shipped worldwide;

web fonts customers including The Economist, Hyundai, Hilton and Pepsi;

major software companies including Microsoft, Google and Apple;