

CUMBERLAND PHARMACEUTICALS INC

Form 10-Q

August 09, 2012

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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 June 30, 2012

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: 001-33637

Cumberland Pharmaceuticals Inc.

(Exact name of registrant as specified in its charter)

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Tennessee
(State or other jurisdiction of
incorporation or organization)

62-1765329
(I.R.S. Employer
Identification No.)

2525 West End Avenue, Suite 950, Nashville, Tennessee
(Address of principal executive offices)

37203
(Zipcode)

(615) 255-0068

(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 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. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common stock, no par value

Outstanding at July 27, 2012
19,589,163

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CUMBERLAND PHARMACEUTICALS INC.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1: Financial Statements****CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(Unaudited)**

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,273,392	\$ 70,599,146
Marketable securities	18,245,440	
Accounts receivable, net of allowances	4,991,612	7,082,890
Inventories	7,316,606	5,774,694
Other current assets	3,430,107	3,851,337
Total current assets	86,257,157	87,308,067
Property and equipment, net	1,100,253	1,119,339
Intangible assets, net	7,373,013	7,023,064
Other assets	650,173	67,846
Total assets	\$ 95,380,596	\$ 95,518,316
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 2,936,081	\$ 1,513,548
Other current liabilities	4,195,985	5,086,400
Total current liabilities	7,132,066	6,599,948
Revolving line of credit	4,359,951	4,859,951
Other long-term liabilities	674,973	1,223,148
Total liabilities	12,166,990	12,683,047
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Common stock - no par value; 100,000,000 shares authorized; 19,699,237 and 20,020,535 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	68,500,397	70,272,155
Retained earnings	14,824,160	12,656,662
Total shareholders' equity	83,324,557	82,928,817
Noncontrolling interests	(110,951)	(93,548)
Total equity	83,213,606	82,835,269

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Total liabilities and equity	\$ 95,380,596	\$ 95,518,316
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See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Net and Comprehensive Income****(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net revenues	\$ 12,366,940	\$ 14,389,741	\$ 22,623,152	\$ 25,056,668
Costs and expenses:				
Cost of products sold	1,103,005	1,283,160	1,951,555	2,070,098
Selling and marketing	5,491,964	5,904,444	10,472,517	11,193,028
Research and development	1,553,343	1,027,048	2,957,365	2,036,721
General and administrative	2,164,098	2,371,506	4,429,123	4,373,510
Amortization of product license right	114,599	171,726	226,646	343,453
Total costs and expenses	10,427,009	10,757,884	20,037,206	20,016,810
Operating income	1,939,931	3,631,857	2,585,946	5,039,858
Interest income	76,074	52,260	148,355	95,169
Interest expense	(16,720)	(79,604)	(39,147)	(295,647)
Income before income tax expense	1,999,285	3,604,513	2,695,154	4,839,380
Income tax expense	(263,031)	(1,436,365)	(545,059)	(1,959,949)
Net and comprehensive income	1,736,254	2,168,148	2,150,095	2,879,431
Net loss attributable to noncontrolling interests	8,036	9,471	17,403	19,348
Net income attributable to common shareholders	\$ 1,744,290	\$ 2,177,619	\$ 2,167,498	\$ 2,898,779
Earnings per share attributable to common shareholders				
- basic	\$ 0.09	\$ 0.11	\$ 0.11	\$ 0.14
- diluted	\$ 0.09	\$ 0.11	\$ 0.11	\$ 0.14
Weighted-average shares outstanding				
- basic	19,771,167	20,471,621	19,889,583	20,458,842
- diluted	19,996,805	20,661,719	20,117,246	20,719,714

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 2,150,095	\$ 2,879,431
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization expense	441,199	527,301
Stock-based compensation - nonemployees	75,444	44,574
Stock-based compensation - employees	315,344	315,513
Excess tax benefit derived from exercise of stock options	(854,988)	(1,516,569)
Noncash interest expense	12,038	123,654
Net unrealized investment gains	(34,604)	
Net changes in assets and liabilities affecting operating activities:		
Accounts receivable	2,091,278	325,760
Inventory	(1,541,912)	230,591
Other current assets and other assets	(173,889)	704
Accounts payable and other accrued liabilities	1,362,385	2,009,529
Other long-term liabilities	(596,911)	(5,141)
Net cash provided by operating activities	3,245,479	4,935,347
Cash flows from investing activities:		
Additions to property and equipment	(178,886)	(105,838)
Purchases of marketable securities	(18,356,482)	
Proceeds from marketable securities	145,646	
Additions to intangibles	(519,719)	(46,344)
Net cash used in investment activities	(18,909,441)	(152,182)
Cash flows from financing activities:		
Principal payments on note payable		(1,333,334)
Net repayments on line of credit	(500,000)	
Proceeds from exercise of stock options	545,601	523,507
Excess tax benefit derived from exercise of stock options	854,988	1,516,569
Payments made in connection with repurchase of common shares	(3,562,381)	(1,551,847)
Net cash used in financing activities	(2,661,792)	(845,105)
Net (decrease) increase in cash and cash equivalents	(18,325,754)	3,938,060
Cash and cash equivalents at beginning of period	70,599,146	65,893,970
Cash and cash equivalents at end of period	\$ 52,273,392	\$ 69,832,030
Non-cash investing and financing activities:		