

ANGIODYNAMICS INC
Form 10-Q
April 09, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended February 28, 2014

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 0-50761

AngioDynamics, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-3146460 (I.R.S. Employer Identification No.)
14 Plaza Drive Latham, New York (Address of principal executive offices)	12110 (Zip Code)
(518) 795-1400	

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value \$.01	NASDAQ Global Select Market
Preferred Stock Purchase Rights	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 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

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 Smaller reporting company
Indicate by check mark whether the 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	Outstanding as of April 1, 2014
Common Stock, par value \$.01	35,416,167 shares

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Table of Contents**PART 1. FINANCIAL INFORMATION****Item 1. Financial Statements****AngioDynamics, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF INCOME****(unaudited)****(in thousands of dollars, except per share data)**

	Three Months Ended		Nine Months Ended	
	Feb 28, 2014	Feb 28, 2013	Feb 28, 2014	Feb 28, 2013
Net sales	\$ 88,195	\$ 81,571	\$ 260,390	\$ 251,994
Cost of sales	42,560	40,370	127,343	127,247
Gross profit	45,635	41,201	133,047	124,747
Operating expenses				
Research and development	7,045	5,793	20,757	19,881
Sales and marketing	20,700	18,520	61,736	55,734
General and administrative	6,231	6,046	19,082	19,854
Amortization of intangibles	4,248	4,314	12,871	11,961
Change in fair value of contingent consideration	(4,154)	630	(2,481)	827
Acquisition, restructuring and other items, net	3,016	5,157	7,697	9,943
Medical device excise tax	980	683	2,955	683
Total operating expenses	38,066	41,143	122,617	118,883
Operating income	7,569	58	10,430	5,864
Other (expenses) income				
Interest expense	(917)	(1,271)	(3,122)	(3,986)
Interest income				103
Other expense	(1,068)	(608)	(2,457)	(1,824)
Total other expenses, net	(1,985)	(1,879)	(5,579)	(5,707)
Income (loss) before income tax expense (benefit)	5,584	(1,821)	4,851	157
Income tax expense (benefit)	476	(829)	268	(99)
Net income (loss)	\$ 5,108	\$ (992)	\$ 4,583	\$ 256

Income (loss) per share

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Basic	\$ 0.15	\$ (0.03)	\$ 0.13	\$ 0.01
Diluted	\$ 0.14	\$ (0.03)	\$ 0.13	\$ 0.01
Basic weighted average shares outstanding	35,184	34,834	35,088	34,787
Diluted weighted average shares outstanding	35,704	34,834	35,372	35,315

The accompanying notes are an integral part of these interim consolidated financial statements.

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AngioDynamics, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	Feb 28, 2014	Feb 28, 2013	Feb 28, 2014	Feb 28, 2013
Net Income (Loss)	\$ 5,108	\$ (992)	\$ 4,583	\$ 256
Other comprehensive income (loss), before tax:				
Unrealized gain (loss) on interest rate swap	132	187	(71)	(871)
Unrealized gain (loss) on marketable securities	(18)		(18)	184
Foreign currency translation gain (loss)	106	(157)	246	(34)
Other comprehensive income (loss), before tax	220	30	157	(721)
Income tax (expense) benefit related to items of other comprehensive income	(42)	(69)	33	254
Other comprehensive income (loss), net of tax	178	(39)	190	(467)
Total comprehensive income (loss), net of tax	\$ 5,286	\$ (1,031)	\$ 4,773	\$ (211)

The accompanying notes are an integral part of these interim consolidated financial statements.

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AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands of dollars, except share data)

	Feb 28, 2014	May 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,382	\$ 21,802
Marketable securities	1,807	2,153
Accounts receivable, net of allowances of \$1,553 and \$1,272 respectively	57,726	47,791
Inventories	59,834	55,062
Deferred income taxes	3,656	6,591
Prepaid income taxes	2,727	563
Prepaid expenses and other	6,999	7,554
Total current assets	140,131	141,516
PROPERTY, PLANT AND EQUIPMENT-AT COST, net	66,478	62,650
OTHER ASSETS	5,592	5,559
INTANGIBLE ASSETS, net	207,970	214,848
GOODWILL	359,736	355,458
DEFERRED INCOME TAXES, long term	11,721	11,007
PREPAID ROYALTIES	546	546
TOTAL ASSETS	\$ 792,174	\$ 791,584
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 25,506	\$ 24,522
Accrued liabilities	18,966	16,426
Income Taxes Payable	879	
Current portion of long-term debt	5,000	7,500
Current portion of contingent consideration	12,146	9,207
Other current liabilities	883	5,782
Total current liabilities	63,380	63,437
LONG-TERM DEBT, revolving credit facility	41,410	
LONG-TERM DEBT, term loan, net of current portion	92,500	135,000
DEFERRED INCOME TAXES, long term	1,166	
Contingent consideration, net of current portion	55,841	65,842
Other long term liabilities	188	475

Total liabilities	254,485	264,754
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.01 per share, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, par value \$.01 per share, 45,000,000 shares authorized; issued and outstanding 35,416,043 and 35,060,351 shares at February 28, 2014 and May 31, 2013, respectively	353	351
Additional paid-in capital	506,638	500,554
Retained earnings	34,146	29,563
Treasury stock, 142,305 shares, at cost	(2,104)	(2,104)
Accumulated other comprehensive loss	(1,344)	(1,534)
Total stockholders equity	537,689	526,830
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 792,174	\$ 791,584

The accompanying notes are an integral part of these interim consolidated financial statements.

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AngioDynamics, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands of dollars)

	Nine Months Ended	
	Feb 28, 2014	Feb 28, 2013
Cash flows from operating activities:		
Net income	\$ 4,583	\$ 256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,759	18,571
Stock based compensation	4,022	3,372
Change in fair value of contingent consideration	(2,481)	827
Deferred income taxes	2,219	3,419
Change in accounts receivable allowances	281	30
Tax effect on exercise of stock options and issuance of performance shares	(146)	(422)
Other	(50)	119
Loss on discontinuance of product offering		1,576
Gain on sale of assets		(801)
Amortization of acquired inventory basis step-up	150	3,845
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(9,693)	3,927
Inventories	(4,225)	(9,468)
Prepaid expenses and other	(944)	398
Accounts payable, accrued and other liabilities	2,699	(10,134)
Net cash provided by operating activities	15,174	15,515
Cash flows from investing activities:		
Additions to property, plant and equipment	(9,003)	(7,708)
Acquisition of business, net of cash acquired	(4,169)	(24,624)
Collection of escrow receivable		2,500
Acquisition of intangible and other assets	(180)	(650)
Proceeds from disposal of intangible and other assets		801
Purchases of marketable securities	(25)	(5,134)
Proceeds from sale or maturity of marketable securities	353	16,989
Net cash used in investing activities	(13,024)	(17,826)