

ICAD INC
Form 10-Q
May 09, 2013
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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 March 31, 2013

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 1-9341

iCAD, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

02-0377419
(I.R.S. Employer
Identification No.)

98 Spit Brook Road, Suite 100, Nashua, NH
(Address of principal executive offices)

03062
(Zip Code)

(603) 882-5200

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 requirement for the past 90 days. YES 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 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.

Large Accelerated filer Accelerated filer
Non-accelerated filer (do not check if a smaller reporting company) 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 .

As of the close of business on May 7, 2013 there were 10,836,077 shares outstanding of the registrant's Common Stock, \$.01 par value.

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iCAD, Inc.

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(Unaudited)

(In thousands except for share data)

	March 31, 2013	December 31, 2012
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 12,673	\$ 13,948
Trade accounts receivable, net of allowance for doubtful accounts of \$82 in 2013 and \$48 in 2012	5,466	4,980
Inventory, net	1,773	2,119
Prepaid expenses and other current assets	558	486
Total current assets	20,470	21,533
Property and equipment, net of accumulated depreciation and amortization of \$3,796 in 2013 and \$3,627 in 2012	1,372	1,483
Other assets	585	638
Intangible assets, net of accumulated amortization of \$11,174 in 2013 and \$10,744 in 2012	14,801	15,230
Goodwill	21,109	21,109
Total assets	\$ 58,337	\$ 59,993
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 1,724	\$ 1,940
Accrued and other expenses	2,933	4,142
Interest payable	553	499
Warrant liability	1,107	1,538
Deferred revenue	6,972	6,520
Total current liabilities	13,289	14,639
Deferred revenue, long-term portion	1,642	1,502
Other long-term liabilities	1,169	1,341
Notes payable	15,000	14,846
Total liabilities	31,100	32,328
Commitments and Contingencies (see Note 5)		
Stockholders' equity:		
Preferred stock, \$.01 par value: authorized 1,000,000 shares; none issued.		
Common stock, \$.01 par value: authorized 85,000,000 shares; issued 11,021,908 in 2013 and 10,993,933 in 2012; outstanding 10,836,077 in 2013 and 10,808,102 in 2012	110	110
Additional paid-in capital	165,715	165,416
Accumulated deficit	(137,173)	(136,446)

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Treasury stock at cost 185,831 in 2013 and 2012	(1,415)	(1,415)
Total stockholders' equity	27,237	27,665
Total liabilities and stockholders' equity	\$ 58,337	\$ 59,993

See accompanying notes to condensed consolidated financial statements.

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iCAD, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands except for per share data)

	Three Months Ended March 31,	
	2013	2012
Revenue:		
Products	\$ 5,060	\$ 4,051
Service and supplies	2,870	2,292
Total revenue	7,930	6,343
Cost of revenue:		
Products	1,355	1,107
Service and supplies	694	577
Amortization of acquired intangibles	233	232
Total cost of revenue	2,282	1,916
Gross profit	5,648	4,427
Operating expenses:		
Engineering and product development	1,866	2,212
Marketing and sales	2,438	2,646
General and administrative	1,672	1,595
Total operating expenses	5,976	6,453
Loss from operations	(328)	(2,026)
Gain from change in fair value of warrant	431	599
Interest expense	(826)	(835)
Other income	6	9
Other (expense) income, net	(389)	(227)
Loss before income tax expense	(717)	(2,253)
Income tax expense	(10)	(11)
Net loss and comprehensive loss	\$ (727)	\$ (2,264)
Net loss per share:		
Basic and diluted	\$ (0.07)	\$ (0.21)
Weighted average number of shares used in computing loss per share:		
Basic and diluted	10,820	10,776

See accompanying notes to consolidated financial statements.

Table of Contents**iCAD, INC. AND SUBSIDIARY****Condensed Consolidated Statements of Cash Flows**

(unaudited)

	For the three months ended March 31,	
	2013	2012
	(in thousands)	
Cash flow from operating activities:		
Net loss	\$ (727)	\$ (2,264)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	183	241
Amortization	430	523
Bad debt provision	35	
Gain from change in fair value of warrant	(431)	(599)
Loss on disposal of assets	25	51
Stock-based compensation expense	307	215
Amortization of debt discount and debt costs	198	227
Interest on settlement obligations	75	112
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(521)	(437)
Inventory	346	254
Prepaid and other current assets	(63)	(104)
Accounts payable	(215)	55
Accrued expenses	(1,403)	(1,909)
Deferred revenue	592	(258)
Total adjustments	(442)	(1,629)
Net cash used for operating activities	(1,169)	(3,893)
Cash flow from investing activities:		
Additions to patents, technology and other	(2)	(3)
Additions to property and equipment	(97)	(31)
Net cash used for investing activities	(99)	(34)
Cash flow from financing activities:		
Taxes paid related to restricted stock issuance	(7)	(9)
Proceeds from debt financing, net		14,325
Net cash (used for) provided by financing activities	(7)	14,316
Increase (decrease) in cash and equivalents	(1,275)	10,389
Cash and equivalents, beginning of period	13,948	4,576
Cash and equivalents, end of period	\$ 12,673	\$ 14,965

See accompanying notes to consolidated financial statements.

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iCAD, INC. AND SUBSIDIARY.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2013

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying condensed consolidated financial statements of iCAD, Inc. and subsidiary (iCAD or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position at March 31, 2013, the results of operations for the three month period ended March 31, 2013 and 2012, respectively, and cash flows for the three month period ended March 31, 2013 and 2012, respectively. Although the Company believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information normally included in the footnotes prepared in accordance with US GAAP has been omitted as permitted by the rules and regulations of the Securities and Exchange Commission (SEC). The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the SEC on February 27, 2013. The results for the three month period ended March 31, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2013, or any future period.

Revenue Recognition

The Company recognizes revenue primarily from the sale of products and from the sale of services and supplies. Revenue is recognized when delivery has occurred, persuasive evidence of an arrangement exists, fees are fixed or determinable and collectability of the related receivable is probable. For product revenue, delivery has occurred upon shipment provided title and risk of loss has passed to the customer. Services and supplies revenue are considered to be delivered as the services are performed or over the estimated life of the supply agreement.

The Company recognizes revenue from the sale of its digital, film-based CAD and electronic brachytherapy (eBx) products and services in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (Accounting Standards Update ASU 2009-13) and ASC Update No. 2009-14, *Certain Arrangements That Contain Software Elements* (Update No. 2009-14). (ASU 2009-14). Revenue for the sale of certain CAD products is recognized in accordance with ASC 840 (*Leases*) (ASC 840). For multiple element arrangements, revenue is allocated to all deliverables based on their relative selling prices. In such circumstances, a hierarchy is used to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of fair value (VSOE), (ii) third-party evidence of selling price (TPE), and (iii) best estimate of the selling price (BEBP). VSOE generally exists only when the deliverable is sold separately and is the price actually charged for that deliverable. The process for determining BEBP for deliverables without

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iCAD, INC. AND SUBSIDIARY.

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(Unaudited)

March 31, 2013

VSOE or TPE considers multiple factors including relative selling prices; competitive prices in the marketplace, and management judgment, however, these may vary depending upon the unique facts and circumstances related to each deliverable.

The Company primarily uses customer purchase orders that are subject to the Company's terms and conditions or, in the case of an Original Equipment Manufacturer (OEM) are governed by distribution agreements. In accordance with our distribution agreements, the