

CUMBERLAND PHARMACEUTICALS INC

Form 10-Q

May 15, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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, 2017

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)

Tennessee 62-1765329

(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

2525 West End Avenue, Suite 950, 37203
Nashville, Tennessee

(Address of Principal Executive Offices) (Zip Code)

(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 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 Outstanding at May 11, 2017

Common stock, no par value 16,033,951

CUMBERLAND PHARMACEUTICALS INC.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$34,974,242	\$34,510,330
Marketable securities	15,478,547	15,622,111
Accounts receivable, net of allowances	4,934,779	7,330,127
Inventories, net	5,646,904	5,371,729
Other current assets	2,507,876	2,710,967
Total current assets	63,542,348	65,545,264
Property and equipment, net	538,358	464,454
Intangible assets, net	22,079,180	22,154,176
Deferred tax assets, net	3,537,483	3,119,930
Other assets	2,164,236	2,120,742
Total assets	\$91,861,605	\$93,404,566
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$7,269,644	\$8,036,611
Other current liabilities	6,801,185	6,755,652
Total current liabilities	14,070,829	14,792,263
Revolving line of credit	4,100,000	4,100,000
Other long-term liabilities	1,478,623	1,391,484
Total liabilities	19,649,452	20,283,747
Commitments and contingencies		
Equity:		
Shareholders' equity:		
Common stock—no par value; 100,000,000 shares authorized; 16,065,301 and 16,074,176 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively	53,945,247	54,643,268
Retained earnings	18,413,409	18,604,931
Total shareholders' equity	72,358,656	73,248,199
Noncontrolling interests	(146,503)	(127,380)
Total equity	72,212,153	73,120,819
Total liabilities and equity	\$91,861,605	\$93,404,566

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (loss)

(Unaudited)

	Three months ended	
	March 31,	
	2017	2016
Net revenues	\$9,636,755	\$7,737,532
Costs and expenses:		
Cost of products sold	1,381,497	1,223,939
Selling and marketing	5,293,020	3,698,962
Research and development	898,363	706,472
General and administrative	2,110,233	2,077,972
Amortization	611,444	530,770
Total costs and expenses	10,294,557	8,238,115
Operating income (loss)	(657,802)	(500,583)
Interest income	52,535	77,129
Interest expense	(31,715)	(20,442)
Income (loss) before income taxes	(636,982)	(443,896)
Income tax (expense) benefit	(656,587)	175,339
Net income (loss)	(1,293,569)	(268,557)
Net loss at subsidiary attributable to noncontrolling interests	19,123	15,446
Net income (loss) attributable to common shareholders	\$(1,274,446)	\$(253,111)
Earnings (loss) per share attributable to common shareholders		
- basic	\$(0.08)	\$(0.02)
- diluted	\$(0.08)	\$(0.02)
Weighted-average shares outstanding		
- basic	16,042,219	16,341,481
- diluted	16,042,219	16,341,481
Comprehensive income (loss) attributable to common shareholders	(1,274,446)	(253,111)
Net loss at subsidiary attributable to noncontrolling interests	19,123	15,446
Total comprehensive income (loss)	\$(1,293,569)	\$(268,557)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended	
	March 31,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$(1,293,569)	\$(268,557)
Adjustments to reconcile net income (los		