

ANGIODYNAMICS INC  
Form 10-Q  
October 15, 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 August 31, 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)  
(518) 795-1400

12110  
(Zip Code)

Registrant's telephone number, including area code  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common stock, par value \$.01

Preferred Stock Purchase Rights

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

None

(Title of Class)

Name of each exchange on which registered  
NASDAQ Global Select Market  
NASDAQ Global Select Market

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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 October 1, 2014
Common Stock, par value \$.01	35,652,167

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## 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	
	Aug 31, 2014	Aug 31, 2013
Net sales	\$87,331	\$83,644
Cost of sales	41,506	41,064
Gross profit	45,825	42,580
Operating expenses		
Research and development	6,718	6,709
Sales and marketing	20,067	19,963
General and administrative	7,323	6,686
Amortization of intangibles	4,015	4,109
Change in fair value of contingent consideration	801	733
Acquisition, restructuring and other items, net	2,664	2,002
Medical device excise tax	995	976
Total operating expenses	42,583	41,178
Operating income	3,242	1,402
Other (expenses) income		
Interest expense	(799)	(1,246)
Interest income	—	—
Other expense	(1,025)	(719)
Total other expenses, net	(1,824)	(1,965)
Income (loss) before income tax expense (benefit)	1,418	(563)
Income tax expense (benefit)	948	(190)
Net income (loss)	\$470	\$(373)
Income (loss) per share		
Basic	\$0.01	\$(0.01)
Diluted	\$0.01	\$(0.01)
Basic weighted average shares outstanding	35,367	34,950
Diluted weighted average shares outstanding	35,885	34,950

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

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AngioDynamics, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(in thousands of dollars)

	Three Months Ended	
	Aug 31, 2014	Aug 31, 2013
Net Income (Loss)	\$470	\$(373 )
Other comprehensive income (loss), before tax:		
Unrealized gain (loss) on interest rate swap	181	319
Unrealized gain (loss) on marketable securities	(140	) —
Foreign currency translation gain (loss)	—	70
Other comprehensive income (loss), before tax	41	389
Income tax (expense) benefit related to items of other comprehensive income	(15	) (118 )
Other comprehensive income (loss), net of tax	26	271
Total comprehensive income (loss), net of tax	\$496	\$(102 )

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

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## AngioDynamics, Inc. and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands of dollars, except share data)

	Aug 31, 2014	May 31, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$13,808	\$16,105
Marketable securities	1,670	1,809
Accounts receivable, net of allowances of \$1,863 and \$1,736, respectively	56,026	61,968
Inventories	70,421	61,234
Deferred income taxes	3,667	4,625
Prepaid income taxes	1,936	510
Prepaid expenses and other	6,777	5,471
Total current assets	154,305	151,722
PROPERTY, PLANT AND EQUIPMENT-AT COST, net	66,794	66,590
OTHER ASSETS	3,345	3,926
INTANGIBLE ASSETS, net	201,440	205,256
GOODWILL	360,473	360,473
DEFERRED INCOME TAXES, long term	9,236	10,403
PREPAID ROYALTIES	521	521
<b>TOTAL ASSETS</b>	<b>\$796,114</b>	<b>\$798,891</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$29,282	\$32,895
Accrued liabilities	17,700	16,652
Income Taxes Payable	624	689
Current portion of long-term debt	5,000	5,000
Current portion of contingent consideration	10,897	12,879
Other current liabilities	204	599
Total current liabilities	63,707	68,714
LONG-TERM DEBT, revolving credit facility	46,410	46,410
LONG-TERM DEBT, term loan, net of current portion	90,000	91,250
DEFERRED INCOME TAXES, long term	1,146	1,146
Contingent consideration, net of current portion	55,135	54,452
Other long term liabilities	32	84
Total liabilities	256,430	262,056
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
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 35,646,491 and 35,442,004 shares at August 31, 2014 and May 31, 2014, respectively	356	353
Additional paid-in capital	510,704	508,354
Retained earnings	31,971	31,501
Treasury stock, 142,305 shares, at cost	(2,104	) (2,104 )

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Accumulated other comprehensive loss	(1,243	)	(1,269	)
Total stockholders' equity	539,684		536,835	
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$796,114</b>		<b>\$798,891</b>	

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

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AngioDynamics, Inc. and Subsidiaries  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (unaudited)  
 (in thousands of dollars)

	Three Months Ended	
	Aug 31, 2014	Aug 31, 2013
Cash flows from operating activities:		
Net income (loss)	\$470	\$(373 )
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,700	5,910
Stock based compensation	1,395	1,152
Change in fair value of contingent consideration	801	733
Deferred income taxes	2,110	569
Change in accounts receivable allowances	127	195
Other	190	(108 )
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	5,815	1,793
Inventories	(9,187	) (3,473 )
Prepaid expenses and other assets	(2,836	) (375 )
Accounts payable, accrued and other liabilities	(233	) 1,277
Net cash provided by operating activities	5,352	7,300
Cash flows from investing activities:		
Additions to property, plant and equipment	(5,104	) (2,903 )
Acquisition of business, net of cash acquired	—	(3,239 )
Acquisition of intangible and other assets	(154	) (930 )
Proceeds from sale or maturity of marketable securities	—	303
Net cash used in investing activities	(5,258	) (6,769 )
Cash flows from financing activities:		
Repayment of long-term debt	(1,250	) —
Payment of contingent consideration previously established in purchase accounting	(2,100	) (950 )
Proceeds from exercise of stock options and employee stock purchase plan	959	678
Net cash used in financing activities	(2,391	) (272 )
Effect of exchange rate changes on cash and cash equivalents	—	4
Increase (decrease) in cash and cash equivalents	(2,297	) 263
Cash and cash equivalents at beginning of period	16,105	21,802
Cash and cash equivalents at end of period	\$13,808	\$22,065
Supplemental disclosure of non-cash investing and financing activities:		
Contractual obligations for acquisition of intangibles and business	\$—	\$4,970
Contractual obligations for acquisition of fixed assets	\$—	\$2,663

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



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AngioDynamics, Inc. and Subsidiaries

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(unaudited)

(in thousands of dollars, except share data)

	Common Stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at May 31, 2014	35,442,004	\$ 353	\$508,354	\$31,501	\$ (1,269 )	(142,305)	\$(2,104)	\$536,835
Net income				470				470
Exercise of stock options	17,008	1	205					206
Purchase of common stock under ESPP	62,574	1	750					751
Issuance of performance shares	124,905	1						1
Stock based compensation			1,395					