

NATUS MEDICAL INC  
Form 10-Q  
May 09, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2018

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: 000-33001

NATUS MEDICAL INCORPORATED  
(Exact name of registrant as specified in its charter)

Delaware 77-0154833  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
6701 Koll Center Parkway, Suite 120, Pleasanton, CA 94566  
(Address of principal executive offices) (Zip Code)  
(925) 223-6700  
(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 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 or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” or an “emerging growth” 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

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

The number of issued and outstanding shares of the registrant's Common Stock, \$0.001 par value, as of May 2, 2018 was 33,302,866.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

NATUS MEDICAL INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)  
(in thousands, except share and per share amounts)

|   | March 31,<br>2018 | December<br>31, 2017 |
|---|-------------------|----------------------|
| <b>ASSETS</b>   |                   |                      |
| Current assets:   |                   |                      |
| Cash and cash equivalents   | \$64,471          | \$88,950             |
| Accounts receivable, net of allowance for doubtful accounts of \$8,200 in 2018 and \$8,978 in 2017                                      | 128,056           | 126,809              |
| Inventories   | 74,543            | 71,529               |
| Prepaid expenses and other current assets   | 23,863            | 18,340               |
| Total current assets  | 290,933           | 305,628              |
| Property and equipment, net   | 22,618            | 22,071               |
| Intangible assets, net  | 167,489           | 172,582              |
| Goodwill  | 173,297           | 172,998              |
| Deferred income tax   | 10,632            | 10,709               |
| Other assets  | 17,949            | 25,931               |
| Total assets  | \$682,918         | \$709,919            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                      |
| Current liabilities:  |                   |                      |
| Accounts payable  | \$24,388          | \$25,242             |
| Accrued liabilities   | 54,066            | 51,738               |
| Deferred revenue  | 16,615            | 15,157               |
| Total current liabilities   | 95,069            | 92,137               |
| Long-term liabilities:  |                   |                      |
| Other liabilities   | 21,925            | 21,995               |
| Long-term debt, net   | 129,331           | 154,283              |
| Deferred income tax   | 19,763            | 19,407               |
| Total liabilities   | 266,088           | 287,822              |
| Stockholders' equity:   |                   |                      |
| Common stock, \$0.001 par value, 120,000,000 shares authorized; shares issued and outstanding 33,271,530 in 2018 and 33,134,101 in 2017 | 314,760           | 316,577              |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding in 2018 and 2017                     | —                 | —                    |
| Retained earnings   | 122,048           | 129,115              |
| Accumulated other comprehensive loss  | (19,978 )         | (23,595 )            |
| Total stockholders' equity  | 416,830           | 422,097              |
| Total liabilities and stockholders' equity  | \$682,918         | \$709,919            |

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

|   | Three Months Ended<br>March 31, |            |
|---|---------------------------------|------------|
|   | 2018                            | 2017       |
| Revenue   | \$ 128,609                      | \$ 124,660 |
| Cost of revenue   | 55,369                          | 56,913     |
| Intangibles amortization  | 1,587                           | 1,000      |
| Gross profit  | 71,653                          | 66,747     |
| Operating expenses:   |                                 |            |
| Marketing and selling   | 35,872                          | 32,215     |
| Research and development  | 15,443                          | 12,753     |
| General and administrative  | 17,448                          | 16,016     |
| Intangibles amortization  | 4,806                           | 4,074      |
| Restructuring   | 812                             | 286        |
| Total operating expenses  | 74,381                          | 65,344     |
| Income (loss) from operations   | (2,728)                         | ) 1,403    |
| Other income (expense), net   | (1,821)                         | ) (1,039)  |
| Income (loss) before provision for income tax                                 | (4,549)                         | ) 364      |
| Provision for income tax  | (1,401)                         | ) 16       |
| Net income (loss)   | \$(3,148)                       | ) \$348    |
| Earnings (loss) per share:  |                                 |            |
| Basic   | \$(0.10)                        | ) \$0.01   |
| Diluted   | \$(0.10)                        | ) \$0.01   |
| Weighted average shares used in the calculation of earnings (loss) per share: |                                 |            |
| Basic   | 32,760                          | 32,485     |
| Diluted   |                                 |            |