

ICAD INC
Form 10-Q
November 13, 2012
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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 September 30, 2012

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 November 9, 2012 there were 10,993,478 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)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,790	\$ 4,576
Trade accounts receivable, net of allowance for doubtful accounts of \$48 in 2012 and \$54 in 2011	5,715	4,003
Inventory, net	1,863	2,040
Prepaid expenses and other current assets	511	490
Total current assets	21,879	11,109
Property and equipment, net of accumulated depreciation and amortization of \$3,479 in 2012 and \$3,184 in 2011	1,505	1,884
Other assets	868	595
Intangible assets, net of accumulated amortization of \$10,312 in 2012 and \$8,840 in 2011	15,595	17,064
Goodwill	21,109	21,109
Total assets	\$ 60,956	\$ 51,761
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,232	\$ 1,125
Accrued and other expenses	3,667	5,594
Interest payable	563	
Warrant liability	487	
Deferred revenue	6,344	5,765
Total current liabilities	13,293	12,484
Deferred revenue, long-term portion	1,684	1,446
Other long-term liabilities	1,279	1,776
Notes payable	14,597	
Total liabilities	30,853	15,706
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 10,993,478 in 2012 and 10,950,902 in 2011; outstanding 10,807,647 in 2012 and 10,765,071 in 2011	110	110
Additional paid-in capital	165,152	164,432
Accumulated deficit	(133,744)	(127,072)
Treasury stock at cost 185,831 in 2012 and 2011	(1,415)	(1,415)
Total stockholders' equity	30,103	36,055

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Total liabilities and stockholders' equity	\$ 60,956	\$ 51,761
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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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue:				
Products	\$ 5,779	\$ 5,754	\$ 13,433	\$ 15,463
Service and supplies	2,404	2,298	7,024	6,579
Total revenue	8,183	8,052	20,457	22,042
Cost of revenue:				
Products	1,527	1,280	3,603	3,627
Service and supplies	541	650	1,678	2,191
Amortization of acquired intangibles	233	233	698	699
Total cost of revenue	2,301	2,163	5,979	6,517
Gross profit	5,882	5,889	14,478	15,525
Operating expenses:				
Engineering and product development	1,971	2,630	6,158	8,710
Marketing and sales	2,842	3,108	7,976	10,780
General and administrative	1,710	2,147	4,946	8,364
Contingent consideration		(3,800)		(4,900)
Goodwill Impairment		26,828		26,828
Loss on indemnification asset		508		801
Total operating expenses	6,523	31,421	19,080	50,582
Loss from operations	(641)	(25,532)	(4,602)	(35,057)
Gain from change in fair value of warrant	126		512	
Interest expense	(883)	(111)	(2,549)	(327)
Other (expense) income	(67)	6	(33)	24
Net loss and comprehensive loss	\$ (1,465)	\$ (25,637)	\$ (6,672)	\$ (35,360)
Net loss per share:				
Basic and diluted	\$ (0.14)	\$ (2.34)	\$ (0.62)	\$ (3.24)
Weighted average number of shares used in computing loss per share:				
Basic and diluted	10,805	10,936	10,792	10,907

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

	For the nine months ended	
	September 30,	2011
	2012	2011
	(in thousands)	
Cash flow from operating activities:		
Net loss	\$ (6,672)	\$ (35,360)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	701	813
Amortization	1,472	1,570
Gain from change in fair value of warrant	(512)	
Goodwill impairment		26,828
Loss on disposal of assets	143	21
Loss on indemnification asset		801
Stock-based compensation expense	731	684
Amortization of discount financing	719	
Interest on settlement obligations	313	326
Fair value of contingent consideration		(4,900)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(1,712)	(2,267)
Inventory	178	1,357
Prepaid and other current assets	257	75
Accounts payable	1,106	(93)
Accrued expenses	(2,172)	(703)
Deferred revenue	818	1,384
Total adjustments	2,042	25,896