

TRANSGENOMIC INC
Form 10-Q
October 30, 2008
Table of Contents

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, 2008

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: 000-30975

TRANSGENOMIC, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: TRANSGENOMIC INC - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

911789357
(I.R.S. Employer
Identification No.)

12325 Emmet Street, Omaha, Nebraska
(Address of principal executive offices)

68164
(Zip Code)

(402) 452-5400

(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 and (2) has been subject to such filing requirements for the past 90 days. 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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

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 Securities Exchange Act of 1934) Yes No

As of October 30, 2008, the number of shares of common stock outstanding was 49,189,672.

Table of Contents

TRANSGENOMIC, INC.

INDEX

	Page No.
PART I. <u>FINANCIAL INFORMATION</u>	3
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets as of September 30, 2008 (Unaudited) and December 31, 2007 (Audited)</u>	3
<u>Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2008 and 2007</u>	4
<u>Unaudited Condensed Consolidated Statements of Stockholders' Equity for the Nine Months Ended September 30, 2008</u>	5
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2008 and 2007</u>	6
<u>Notes to Condensed Consolidated Unaudited Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 4T. <u>Controls and Procedures</u>	22
PART II. <u>OTHER INFORMATION</u>	23
Item 1. <u>Legal Proceedings</u>	23
Item 1A. <u>Risk Factors</u>	23
Item 6. <u>Exhibits</u>	23
<u>Signatures</u>	24

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****TRANSGENOMIC, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in thousands except per share data)**

	Sept. 30, 2008 (unaudited)	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,787	\$ 5,723
Accounts receivable (net of allowances for bad debts of \$501 and \$703, respectively)	4,944	5,095
Inventories	4,921	4,586
Prepaid expenses and other current assets	727	759
Total current assets	15,379	16,163
PROPERTY AND EQUIPMENT:		
Equipment	10,708	10,857
Furniture, fixtures & leasehold improvements	4,085	4,056
	14,793	14,913
Less: accumulated depreciation	13,517	13,334
	1,276	1,579
OTHER ASSETS:		
Goodwill	638	638
Other assets, net	657	710
	\$ 17,950	\$ 19,090
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 816	\$ 1,245
Other accrued expenses	2,526	3,152
Accrued compensation	752	450
Total current liabilities	4,094	4,847
Other long-term liabilities	141	141
Total liabilities	4,235	4,988
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized, none outstanding		
Common stock, \$.01 par value, 100,000,000 shares authorized, 49,189,672 shares outstanding	497	497

Edgar Filing: TRANSGENOMIC INC - Form 10-Q

Additional paid-in capital	139,308	139,099
Accumulated other comprehensive income	1,954	2,274
Accumulated deficit	(128,044)	(127,768)
Total stockholders' equity	13,715	14,102
	\$ 17,950	\$ 19,090

See notes to unaudited condensed consolidated financial statements.

Table of Contents**TRANSGENOMIC, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands except per share data)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2008	2007	2008	2007
NET SALES	\$ 5,367	\$ 5,151	\$ 17,869	\$ 16,645
COST OF GOODS SOLD	2,448	2,500	7,570	7,872
Gross profit	2,919	2,651	10,299	8,773
OPERATING EXPENSES:				
Selling, general and administrative	2,757	2,672	8,824	8,719
Research and development	684	720	1,816	2,270
Restructuring costs		681	8	1,305
	3,441	4,073	10,648	12,294
LOSS FROM OPERATIONS	(522)	(1,422)	(349)	(3,521)
OTHER INCOME (EXPENSE):				
Interest income, net of interest expense	22	75	80	215
Other, net	14	4	13	8
Gain on sale of investment				938
	36	79	93	1,161
LOSS BEFORE INCOME TAXES	(486)	(1,343)	(256)	(2,360)
INCOME TAX EXPENSE	13	6	20	25
LOSS FROM CONTINUING OPERATIONS	(499)	(1,349)	(276)	(2,385)
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX				66
NET LOSS	\$ (499)	\$ (1,349)	\$ (276)	\$ (2,319)
COMPREHENSIVE LOSS	(723)	(1,217)	(596)	(2,032)
BASIC AND DILUTED LOSS PER SHARE:				
From continuing operations	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.05)
From discontinued operations		(0.00)		(0.00)
	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.05)
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	49,189,672	49,189,672	49,189,672	49,189,672

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Nine Months Ended September 30, 2008

(Dollars in thousands except per share data)

	Common Stock			Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Outstanding Shares	Par Value	Additional Paid-in Capital			
Balance, January 1, 2008	49,189,672	\$ 497	\$ 139,099	\$ (127,768)	\$ 2,274	\$ 14,102
Net loss				(276)	(276)	(276)
Other comprehensive income (loss):						
Foreign currency translation adjustment, net of tax					(320)	(320)
Comprehensive loss					(596)	
Non-cash stock-based compensation			209			209
Balance, September 30, 2008	49,189,672	\$ 497	\$ 139,308	\$ (128,044)	\$ 1,954	\$ 13,715

See notes to unaudited condensed consolidated financial statements.

Table of Contents**TRANSGENOMIC, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

	Nine Months Ended Sept. 30,	
	2008	2007
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss	\$ (276)	\$ (2,319)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	494	978
Non-cash, stock based compensation	209	87
(Gain) Loss on sale of investment and assets	6	(1,034)
Changes in operating assets and liabilities:		
Accounts receivable	151	1,041
Inventories	(335)	(1,800)
Prepaid expenses and other current assets	32	(344)
Accounts payable	(429)	124
Accrued expenses and accrued compensation	(324)	615
Net cash flows used in operating activities	(472)	(2,652)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchase of property and equipment	(215)	(523)
Change in other assets	(39)	(133)
Proceeds from asset sales		3,935
Net cash flows provided by (used in) investing activities	(254)	3,279