

ICAD INC
Form 10-Q
August 15, 2016
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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 June 30, 2016

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 001-09341

iCAD, Inc.

(Exact name of registrant as specified in its charter)

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)
(603) 882-5200

03062
(Zip Code)

(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 .

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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 August 8, 2016 there were 15,945,597 shares outstanding of the registrant's Common Stock, \$.01 par value.

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iCAD, Inc.

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Table of Contents**iCAD, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

(Unaudited)

(In thousands except for share data)

	June 30, 2016	December 31, 2015
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 11,468	\$ 15,280
Trade accounts receivable, net of allowance for doubtful accounts of \$156 in 2016 and \$236 in 2015	6,052	7,488
Inventory, net	4,476	4,315
Prepaid expenses and other current assets	1,103	684
Total current assets	23,099	27,767
Property and equipment, net of accumulated depreciation of \$5,902 in 2016 and \$5,475 in 2015	1,910	2,307
Other assets	53	94
Intangible assets, net of accumulated amortization of \$11,397 in 2016 and \$10,897 in 2015	4,467	4,274
Goodwill	14,491	14,198
Total assets	\$ 44,020	\$ 48,640
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 1,492	\$ 1,593
Accrued and other expenses	4,030	4,220
Lease payable - current portion	488	969
Deferred revenue	7,239	7,497
Total current liabilities	13,249	14,279
Deferred revenue, long-term portion	979	1,079
Other long-term liabilities	7	450
Capital lease - long-term portion		86
Total liabilities	14,235	15,894

Commitments and Contingencies (Note 6 and 8)

Stockholders' equity:		
Preferred stock, \$.01 par value: authorized 1,000,000 shares; none issued.		
Common stock, \$.01 par value: authorized 30,000,000 shares; issued 16,130,678 in 2016 and 15,923,349 in 2015; outstanding 15,944,847 in 2016 and 15,737,518 in 2015		
	161	159
Additional paid-in capital	212,657	211,512
Accumulated deficit	(181,618)	(177,510)
Treasury stock at cost, 185,831 shares in 2016 and 2015	(1,415)	(1,415)
Total stockholders' equity	29,785	32,746
Total liabilities and stockholders' equity	\$ 44,020	\$ 48,640

See accompanying notes to condensed consolidated financial statements.

Table of Contents**iCAD, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations**

(Unaudited)

(In thousands except for per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue:				
Products	\$ 3,418	\$ 3,096	\$ 5,446	\$ 7,054
Service and supplies	3,951	8,047	7,961	17,309
Total revenue	7,369	11,143	13,407	24,363
Cost of revenue:				
Products	185	680	375	1,621
Service and supplies	1,182	2,082	2,541	4,360
Amortization and depreciation	300	503	603	1,142
Total cost of revenue	1,667	3,265	3,519	7,123
Gross profit	5,702	7,878	9,888	17,240
Operating expenses:				
Engineering and product development	2,204	2,272	4,475	4,528
Marketing and sales	2,561	3,165	5,057	6,995
General and administrative	2,177	2,330	3,803	4,543
Amortization and depreciation	293	496	579	1,116
Goodwill and long-lived asset impairment		27,443		27,443
Total operating expenses	7,235	35,706	13,914	44,625
Loss from operations	(1,533)	(27,828)	(4,026)	(27,385)
Loss from extinguishment of debt				(1,723)
Interest expense	(21)	(70)	(44)	(577)
Other income	2	5	7	14
Other expense, net	(19)	(65)	(37)	(2,286)
Loss before income tax (expense) benefit	(1,552)	(27,893)	(4,063)	(29,671)
Tax (expense) benefit	(23)	107	(45)	28
Net loss and comprehensive loss	\$ (1,575)	\$ (27,786)	\$ (4,108)	\$ (29,643)

Net loss per share:

Basic	\$	(0.10)	\$	(1.77)	\$	(0.26)	\$	(1.90)
Diluted	\$	(0.10)	\$	(1.77)	\$	(0.26)	\$	(1.90)

Weighted average number of shares used in computing loss per share:

Basic	15,904	15,679	15,865	15,642
Diluted	15,904	15,679	15,865	15,642

See accompanying notes to consolidated financial statements.

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

(unaudited)

	For the six months ended June 30,	
	2016	2015
	(in thousands)	
Cash flow from operating activities:		
Net loss	\$ (4,108)	\$ (29,643)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Amortization	500	1,362
Depreciation	682	896
Bad debt provision	102	188
Stock-based compensation expense	1,202	1,064
Amortization of debt discount and debt costs	(4)	323
Interest on settlement obligations	46	92
Loss on extinguishment of debt		1,723
Gain from acquisition litigation settlement	(249)	
Goodwill and long-lived asset impairment		27,443
Loss on disposal of assets	9	123
Changes in operating assets and liabilities (net of the effect of acquisitions):		
Accounts receivable	1,412	1,691
Inventory	(152)	(993)
Prepaid and other current assets	(378)	65
Accounts payable	(100)	(347)
Accrued expenses	(689)	(1,802)
Deferred revenue	(1,236)	(1,962)
Total adjustments	1,145	29,866
Net cash (used for) provided by operating activities	(2,963)	223
Cash flow from investing activities:		
Additions to patents, technology and other	(3)	(36)
Additions to property and equipment	(223)	(799)
Acquisition of VuComp M-Vu CAD	(6)	(1,700)
Net cash used for investing activities	(232)	(2,535)
Cash flow from financing activities:		
Stock option exercises	10	327
Taxes paid related to restricted stock issuance	(65)	(84)
Principal payments of capital lease obligations	(562)	(693)

Principal repayment of debt financing, net				(11,250)
Net cash used for financing activities		(617)		(11,700)
Decrease in cash and equivalents		(3,812)		(14,012)
Cash and equivalents, beginning of period		15,280		32,220
Cash and equivalents, end of period	\$	11,468	\$	18,208
Supplemental disclosure of cash flow information:				
Interest paid	\$	50	\$	471
Taxes paid	\$	49	\$	93

See accompanying notes to consolidated financial statements.

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iCAD, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2016

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying condensed consolidated financial statements of iCAD, Inc. and subsidiaries (iCAD or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). In the opinion of management, these unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position of the Company at June 30, 2016, the results of operations of the Company for the three month and six month periods ended June 30, 2016 and 2015, and cash flows of the Company for the six month periods ended June 30, 2016 and 2015. Although the Company believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information normally included in the footnotes prepared in accordance with US GAAP has been omitted as permitted by the rules and regulations of the Securities and Exchange Commission (SEC). The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company s Annual Report on Form 10 K for the fiscal year ended December 31, 2015 filed with the SEC on March 11, 2016. The results for the three and six month periods ended June 30, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2016, or any future period.

Segments

The Company reports the results of two segments: Cancer Detection (Detection) and Cancer Therapy (Therapy). The Detection segment consists of our advanced image analysis and workflow products. The Therapy segment consists of our radiation therapy (Axxent) products, physics and management services, development fees, supplies, and fees for the AxxentHub software plat