

MILESTONE SCIENTIFIC INC.

Form 10-Q

May 15, 2018

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 quarter ended March 31, 2018

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 001-14053

Milestone Scientific Inc.

(Exact name of registrant as specified in its charter)

Delaware

State or other jurisdiction of Incorporation or organization

13-3545623

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

220 South Orange Avenue, Livingston, NJ 07039

(Address of principal executive offices)

Registrant's telephone number, including area code: 973-535-2717

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.001 per share	NYSE American

Securities registered pursuant to section 12(g) of the Act: **NONE**

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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “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
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

As of May 15, 2018, the registrant has a total of 33,468,197 shares of Common Stock, \$0.001 par value outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

MILESTONE SCIENTIFIC INC.

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FORWARD-LOOKING STATEMENTS

When used in this Quarterly Report on Form 10-Q, the words “may”, “will”, “should”, “expect”, “believe”, “anticipate”, “continue”, “estimate”, “project”, “intend” and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) regarding events, conditions and financial trends that may affect Milestone Scientific’s future plans of operations, business strategy, results of operations and financial condition. Milestone Scientific wishes to ensure that such statements are accompanied by meaningful cautionary statements pursuant to the safe harbor established in the Private Securities Litigation Reform Act of 1995. Prospective investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and the actual results may differ materially from those included within the forward-looking statements as a result of various factors. Such forward-looking statements should, therefore, be considered considering various important factors, including those set forth herein and others set forth from time to time in Milestone Scientific’s reports, including without limitations, Milestone Scientific’s Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission (the “SEC”). Milestone Scientific disclaims any intent or obligation to update such forward-looking statements.

Milestone Scientific is the owner of the following registered U.S. trademarks: *CompuDent®; CompuMed®; CompuFlo®; DPS Dynamic Pressure Sensing technology®; Milestone Scientific ®; the Milestone logo ®; SafetyWand®; STA Single Tooth Anesthesia Device®; and The Wand ®.*

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

MILESTONE SCIENTIFIC INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$2,094,238	\$2,636,956
Accounts receivable, net	833,836	1,535,513
Accounts receivable from related party	1,725,450	1,725,450
Notes receivable from financing transaction, current	500,000	500,000
Prepaid expenses and other current assets	494,717	436,410
Deferred cost related party	1,109,671	1,109,671
Inventories, net	3,265,058	3,379,209
Advances on contracts	984,408	697,192
Total current assets	11,007,378	12,020,401
Furniture, fixtures & equipment, net	115,502	141,760
Patents, net	2,552,382	2,789,748
Notes receivable from financing transaction, noncurrent	650,000	650,000
Other assets	26,878	26,878
Total assets	\$14,352,140	\$15,628,787

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$1,556,689	\$977,623
Accounts payable related party	1,075,078	985,678
Accrued expenses and other payables	1,928,654	2,287,908
Deferred profit, related party	714,717	751,500
Deferred revenue, related party	1,725,450	1,725,450
Total current liabilities	7,000,588	6,728,159
Deferred gain from financing transaction	1,400,000	1,400,000
Total liabilities	8,400,588	8,128,159

Commitments and Contingencies

Stockholders' Equity

Series A convertible preferred stock, par value \$.001, authorized 5,000,000 shares, and 7,000 shares issued and outstanding as of March 31, 2018 and December 31, 2017	7	7
Common stock, par value \$.001; authorized 50,000,000 shares; 33,216,571 shares issued, 1,699,323 shares to be issued and 33,183,238 shares outstanding as of March 31, 2018; 33,191,571 shares issued, 1,401,247 shares to be issued and 33,158,238 shares outstanding as of December 31, 2017;	34,915	34,593
Additional paid-in capital	87,115,071	86,689,084
Accumulated deficit	(80,442,262)	(78,568,284)
Treasury stock, at cost, 33,333 shares	(911,516)	(911,516)
Total Milestone Scientific Inc. stockholders' equity	5,796,215	7,243,884
Noncontrolling interest	155,337	256,744
Total stockholders' equity	5,951,552	7,500,628
Total liabilities and stockholders' equity	\$14,352,140	\$15,628,787

See notes to Condensed Consolidated Financial Statements

MILESTONE SCIENTIFIC INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Three Months Ended	
	March 31, 2018	March 31, 2017
Revenue		
Product sales, net	\$1,805,605	\$3,688,988
Cost of products sold	562,676	1,402,285
Gross profit	1,242,929	2,286,703
Selling, general and administrative expenses	3,018,780	2,707,620
Research and development expenses	225,817	105,015
Total operating expenses	3,244,597	2,812,635
Loss from operations	(2,001,668)	(525,932)
Other expenses	(1,700)	(1,209)
Interest income	2,664	758
Loss before provision for income taxes and equity in net losses of equity investments	(2,000,704)	(526,383)
Provision for income taxes	(11,464)	(7,201)
Loss before equity in net losses of equity investments	(2,012,168)	(533,584)
Loss on earnings from China Joint Venture	36,783	(44,401)
Net loss	(1,975,385)	(577,985)
Net loss attributable to noncontrolling interests	(101,407)	(73,117)
Net loss attributable to Milestone Scientific Inc.	\$(1,873,978)	\$(504,868)