

TRANSGENOMIC INC  
Form 10-Q  
May 09, 2013  
Table of Contents

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 March 31, 2013

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)

---

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)  
(402) 452-5400

68164  
(Zip Code)

(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 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 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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

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 8, 2013, the number of shares of common stock outstanding was 88,245,725.



Table of Contents

TRANSGENOMIC, INC.  
INDEX

	Page No.
PART I. <u>FINANCIAL INFORMATION</u>	<u>3</u>
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of March 31, 2013 (Unaudited) and December 31, 2012 (Audited)</u>	<u>3</u>
<u>Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2013 and 2012</u>	<u>4</u>
<u>Unaudited Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2013 and 2012</u>	<u>5</u>
<u>Unaudited Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2013</u>	<u>6</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012</u>	<u>7</u>
<u>Notes to Condensed Consolidated Unaudited Financial Statements</u>	<u>7</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
Item 4. <u>Controls and Procedures</u>	<u>26</u>
PART II. <u>OTHER INFORMATION</u>	<u>27</u>
Item 1. <u>Legal Proceedings</u>	<u>27</u>
Item 1A. <u>Risk Factors</u>	<u>27</u>
Item 6. <u>Exhibits</u>	<u>28</u>
<u>Signatures</u>	<u>30</u>

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## TRANSGENOMIC, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except per share data)

	March 31, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$7,729	\$4,497
Accounts receivable, net	7,897	8,081
Inventories, net	4,783	5,092
Other current assets	1,185	1,047
Total current assets	21,594	18,717
<b>PROPERTY AND EQUIPMENT:</b>		
Equipment	10,723	10,682
Furniture, fixtures & leasehold improvements	3,861	3,848
	14,584	14,530
Less: accumulated depreciation	(12,513)	(12,340)
	2,071	2,190
<b>OTHER ASSETS:</b>		
Goodwill	6,918	6,918
Intangibles, net	10,362	10,764
Other assets	453	202
	\$41,398	\$38,791
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$1,516	\$2,052
Accrued compensation	1,125	1,121
Current maturities of long term debt	364	6,171
Accrued expenses	2,826	3,686
Deferred revenue	1,155	1,171
Other liabilities	1,067	1,067
Accrued preferred stock dividend	1,441	1,260
Total current liabilities	9,494	16,528
<b>LONG TERM LIABILITIES:</b>		
Long term debt less current maturities	6,069	—
Common stock warrant liability	500	900
Other long-term liabilities	1,266	1,089
Total liabilities	17,329	18,517
<b>STOCKHOLDERS' EQUITY:</b>		
Series A preferred stock, \$.01 par value, 15,000,000 shares authorized, 2,586,205 shares issued and outstanding	26	26
Common stock, \$.01 par value, 150,000,000 shares authorized, 88,245,725 and 71,645,725 shares issued and outstanding, respectively	887	721
Additional paid-in capital	178,450	170,881
Accumulated other comprehensive income	262	435
Accumulated deficit	(155,556)	(151,789)

Edgar Filing: TRANSGENOMIC INC - Form 10-Q

Total stockholders' equity	24,069	20,274
	\$41,398	\$38,791

See notes to unaudited condensed consolidated financial statements.

Table of Contents

## TRANSGENOMIC, INC. AND SUBSIDIARY

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands except per share data)

	Three Months Ended March 31,	
	2013	2012
NET SALES	\$7,374	\$7,206
COST OF GOODS SOLD	3,693	4,102
Gross profit	3,681	3,104
OPERATING EXPENSES:		
Selling, general and administrative	6,737	4,994
Research and development	764	549
	7,501	5,543
LOSS FROM OPERATIONS	(3,820)	) (2,439)
OTHER INCOME (EXPENSE):		
Interest expense, net	(153)	) (273)
Change in fair value of warrants	400	—
Other, net	53	20
	300	(253)
LOSS BEFORE INCOME TAXES	(3,520)	) (2,692)
INCOME TAX EXPENSE	66	4
NET LOSS	\$(3,586)	) \$(2,696)
PREFERRED STOCK DIVIDENDS AND ACCRETION	(181)	) (165)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	\$(3,767)	) \$(2,861)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$(0.04)	) \$(0.05)
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	84,003,503	62,683,527

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARY

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Dollars in thousands)

	Three Months Ended March 31,	
	2013	2012
Net Loss	\$(3,586	) \$(2,696 )
Other Comprehensive Income (Loss); foreign currency translation adjustment, net of tax	(173	) 61
Comprehensive Loss	\$(3,759	) \$(2,635 )

See notes to unaudited condensed consolidated financial statements.

Table of Contents

## TRANSGENOMIC, INC. AND SUBSIDIARY

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Three Months Ended March 31, 2013

(Dollars in thousands except per share data)

	Preferred Stock		Common Stock				Accumulated	
	Outstanding	Par	Outstanding	Par	Additional	Accumulated	Other	Total
	Shares	Value	Shares	Value	Paid-in	Deficit	Comprehensive	
					Capital		Income	
Balance, January 1, 2013	2,586,205	\$26	71,645,725	\$721	\$170,881	\$ (151,789 )	\$ 435	\$20,274
Net loss			—	—	—	(3,586 )	—	(3,586 )
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(173 )	(173 )
Non-cash stock-based compensation	—	—	—	—	164	—	—	164
Private Placement, net	—	—	16,600,000	166	7,405	—	—	7,571
Dividends on preferred stock	—	—	—	—	—	(181 )	—	(181 )
Balance, March 31, 2013	2,586,205	\$26	88,245,725	\$887	\$178,450	\$ (155,556 )	\$ 262	\$24,069

See notes to unaudited condensed consolidated financial statements.



Table of Contents

## TRANSGENOMIC, INC. AND SUBSIDIARY

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Three Months Ended March 31,	
	2013	2012
<b>CASH FLOWS USED IN OPERATING ACTIVITIES:</b>		
Net loss	\$(3,586	) \$(2,696 )
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	744	513
Non-cash, stock based compensation	164	273
Provision for losses on doubtful accounts	1,581	474
Provision for losses on inventory obsolescence	—	1
Warrant revaluation	(400	) —
Loss on sale of fixed assets	9	—
Gain on foreign currency settlement	(62	) —
Changes in operating assets and liabilities:		
Accounts receivable	(1,474	) 448
Inventories	212	(128 )
Other current assets	(157	) (204 )
Accounts payable	(720	) (1,057 )
Accrued expenses	356	(292 )
Other long term liabilities	(1	) (97 )
Long term deferred income taxes	—	5
Net cash flows used in operating activities	(3,334	) (2,760 )
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(87	) (198 )
Acquisition	(849	) —
Change in other assets	(127	) (67 )
Net cash flows used in investing activities	(1,063	) (265 )
<b>CASH FLOWS PROVIDED BY USED IN FINANCING ACTIVITIES:</b>		
Principal payments on capital lease obligations	(104	) (52 )
Issuance of common stock and warrants, net	7,570	17,483
Payment of deferred financing costs	(60	) —
Proceeds from borrowings	6,433	—
Principal payment on note payable	(6,171	) (82 )
Net cash flows provided by financing activities	7,668	17,349
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH</b>	<b>(39</b>	<b>) 21</b>