ANGIODYNAMICS INC
Form 10-Q
October 10, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended August 31, 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 0-50761

AngioDynamics, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**11-3146460**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
603 Queensbury Ave., Queensbury, New York	**12804**
(Address of principal executive offices)	**(Zip Code)**

(518) 798-1215

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 x 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 definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	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 x

Indicate the number of shares outstanding of each of the Issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding as of October 6, 2008**
Common Stock, par value $.01	24,362,076 shares

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AngioDynamics, Inc. and Subsidiaries

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AngioDynamics, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

ASSETS

	August 31, 2008 (unaudited)	May 31, 2008
CURRENT ASSETS		
Cash and cash equivalents	$ 18,518	$ 32,040
Restricted cash		68
Marketable securities, at fair value	40,731	46,182
Total cash, cash equivalents and marketable securities	59,249	78,290
Accounts receivable, net of allowance for doubtful accounts of $654 and $683, respectively	24,375	26,642
Inventories, net	28,199	22,901
Deferred income taxes	8,450	10,902
Prepaid expenses and other	5,162	3,147
Total current assets	125,435	141,882
PROPERTY, PLANT AND EQUIPMENT-AT COST, less accumulated depreciation	22,253	21,163
OTHER ASSETS	833	1,865
INTANGIBLE ASSETS, less accumulated amortization	72,759	71,311
GOODWILL	164,522	162,707
DEFERRED INCOME TAXES	7,199	6,860
PREPAID ROYALTIES	2,969	2,959
TOTAL ASSETS	$ 395,970	$ 408,747

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES		
Accounts payable	$ 10,535	$ 9,081
Accrued liabilities	8,470	9,523
Income taxes payable		933
Current portion of long-term debt and convertible note	340	10,040
Litigation provision		6,757
Other current liabilities	5,000	5,000
Total current liabilities	24,345	41,334
LONG-TERM DEBT, net of current portion	6,990	7,075
OTHER LONG TERM LIABILITIES, net of discount	4,688	4,625
Total liabilities	36,023	53,034
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Preferred stock, par value $.01 per share, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, par value $.01 per share, 45,000,000 shares authorized; issued and outstanding 24,362,076 and 24,268,266 shares, respectively	244	243
Additional paid-in capital	352,863	350,598
Retained Earnings	7,119	4,908
Accumulated other comprehensive loss	(279)	(36)

Total stockholders equity	359,947	355,713
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 395,970	$ 408,747

The accompanying notes are an integral part of these consolidated financial statements.

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AngioDynamics, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share data)

	Quarter Ended	
	August 31, 2008	**August 31, 2007**
Net sales	$ 44,323	$ 37,526
Cost of sales	16,866	15,025
Gross profit	27,457	22,501
Operating expenses		
Research and development	3,962	2,711
Sales and marketing	13,091	10,549
General and administrative	4,331	4,132
Amortization of intangibles	2,251	1,588
Total operating expenses	23,635	18,980
Operating income	3,822	3,521
Other income (expenses)		
Interest income	402	845
Interest expense	(225)	(374)
Other income (expense)	(428)	(183)
Total other income (expenses)	(251)	288
Income before income tax provision	3,571	3,809
Income tax provision	1,360	1,429
Net income	$ 2,211	$ 2,380
Earnings per common share		
Basic	$ 0.09	$ 0.10
Diluted	$ 0.09	$ 0.10

The accompanying notes are an integral part of these consolidated financial statements.

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AngioDynamics, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME

Quarter Ended August 31, 2008

(unaudited)

(in thousands, except share data)

	Common Stock		Additional paid in capital	Retained Earnings	Accumulated other comprehensive loss	Total	Comprehensive income
	Shares	Amount					
Balance at May 31, 2008	24,268,266	$ 243	$ 350,598	$ 4,908	$ (36)	$ 355,713	
Net Income				2,211		2,211	$ 2,211
Exercise of stock options	50,539	1	584			585	
Tax benefit on exercise of stock options and issuance of performance shares	3,501		(74)			(74)	
Purchase of common stock under Employee Stock Purchase Plan	39,770		555			555	
Stock-based compensation			1,200			1,200	
Unrealized loss on marketable securities, net of tax of $28					(49)	(49)	(49)
Unrealized loss on interest rate swap, net of tax of $10					(17)	(17)	(17)
Foreign currency translation					(177)	(177)	(177)
Comprehensive income							$ 1,968
Balance at August 31, 2008	24,362,076	$ 244	$ 352,863	$ 7,119	$ (279)	$ 359,947	

The accompanying notes are an integral part of these consolidated financial statements.

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AngioDynamics, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Quarter Ended	
	August 31, 2008	**August 31, 2007**
Cash flows from operating activities:		
Net income	$ 2,211	$ 2,380
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,905	2,092
Amortization of bond discount		(180)
Tax benefit on exercise of stock options and issuance of performance shares	(74)	76
Deferred income taxes	2,278	981
Write offs of excess and obsolete inventory	107	377
Stock based compensation	1,200	1,211
Imputed interest	63	
Provision (benefit) for doubtful accounts		(178)
Other	2	50
Changes in operating assets and liabilities:		
Accounts receivable	3,544	965
Inventories	(2,114)	(2,693)
Prepaid expenses and other	(1,148)	(968)
Accounts payable and accrued liabilities	387	(2,829)
Litigation provision	(6,757)	120
Income taxes payable	(933)	(900)
Net cash provided by operating activities	1,671	504
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,286)	(2,604)
Acquisition of intangible assets and business	(10,597)	(1,193)
Change in restricted cash	68	502
Purchases of marketable securities	(5,447)	(17,733)
Proceeds from sale or maturity of marketable securities	10,816	14,965
Net cash used in investing activities	(6,446)	(6,063)
Cash flows from financing activities:		