ANGIODYNAMICS INC
Form 424A
May 10, 2006
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Filed pursuant to Rule 424(a)
Registration No. 333-133748

The information in this prospectus is subject to completion and may be changed. We may not sell these securities until the registration statement we filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where such offer or sale is not permitted.

Subject to Completion, dated May 10, 2006

PROSPECTUS

2,400,000 Shares

Common Stock

This is an offering of 2,400,000 shares of common stock of AngioDynamics, Inc.

Our common stock is traded on the Nasdaq National Market under the symbol ANGO. On May 9, 2006, the last reported sale price of our common stock on the Nasdaq National Market was $30.06 per share.

Investing in the common stock involves risks that are described in the Risk Factors section beginning on page 6 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to AngioDynamics, Inc. (before expenses)	$	$

The underwriters may also purchase up to an additional 360,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2006.

RBC Capital Markets

Canaccord Adams

First Albany Capital

KeyBanc Capital Markets

The date of this prospectus is , 2006

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You should rely only on the information contained in, or incorporated by reference into, this prospectus. We have not authorized any person to provide you with any information different from what is contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of the prospectus or of any sale of the common stock.

This prospectus includes our registered and common law trademarks, and those we use under license, including AngioDynamics, Pulse*Spray, Morpheus, EvenMore, Abscession, Total Abscession, SpeedLyser, AngioFlow, Hydro-Tip, Memory Tip, Sos Omni, Soft-Vu and Schon XL. Other trademarks appearing in this prospectus are the property of their respective holders.

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PROSPECTUS SUMMARY

The following summary highlights information about us and the offering of our common stock contained elsewhere or incorporated by reference in this prospectus. It is not complete and may not contain all of the information that may be important to you in making a decision to purchase our common stock. For a more complete understanding of us and our offering of common stock, we urge you to read this entire prospectus carefully, including the Risk Factors section of this prospectus and the documents identified in the Incorporation of Documents by Reference section of this prospectus. Throughout this prospectus (unless the context otherwise requires), when we refer to AngioDynamics, us, we or our, we are describing AngioDynamics, Inc., together with its subsidiary.

Overview

We design, develop, manufacture and market a broad line of innovative therapeutic and diagnostic medical devices that enable interventional physicians to effectively treat peripheral vascular disease (PVD) and other non-coronary diseases. PVD is a condition in which the arteries or veins that carry blood to or from the legs, arms and organs, other than the heart, become narrowed, obstructed or stretched. Interventional physicians include interventional radiologists (IRs), vascular surgeons and others who perform minimally invasive surgical procedures using image-guided techniques.

Our current product lines consist primarily of angiographic products and accessories, dialysis products, vascular access products, venous products, percutaneous transluminal angioplasty (PTA) products, thrombolytic products and drainage products.

Our Market and Competitive Strengths

The market for devices and other products used in the treatment of PVD has expanded substantially in recent years. Approximately 11 million Americans currently suffer from PVD, and we believe the PVD market will continue to grow as patients and physicians increasingly prefer interventional procedures over more invasive open surgery.

Our principal competitive advantages are our dedicated market focus, established brands and innovative products. We believe our dedicated focus enhances patient care and engenders loyalty among our customers. As a provider of interventional devices for over a decade, we believe we have established AngioDynamics as a recognized brand in our target markets. We collaborate frequently with leading interventional physicians in developing our products and rely on these relationships to further support our brands. Our chief executive officer is the only business executive from the medical device industry to serve on the Strategic Planning Committee of the Society of Interventional Radiology. This appointment provides us with awareness of emerging clinical trends, high visibility among interventional physicians and opportunities to understand and influence the evolution of interventional therapies.

We sell our broad line of quality devices for minimally invasive therapies in the United States through a direct sales force of 49 sales representatives, five regional sales managers, an eastern and a western zone director, and a vice president of sales. We also sell our products in 34 non-U.S. markets through a distributor network.

Development of proprietary technology is critical to our success. We have developed an extensive U.S. and international patent portfolio consisting of 70 issued and licensed patents and 52 pending patent applications.

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Our management has in-depth knowledge of the medical device industry, with an average of 23 years of industry experience and 15 years of service with us. We have a state-of-the-art facility located at our global headquarters in Queensbury, New York.

We have grown our revenues in each of the past 16 years of our operation and have achieved 18 consecutive quarters of profitability. Our disposable products, which currently account for 95% of our sales, provide us with a reliable recurring source of revenues. Additionally, we generated 51% of our fiscal 2005 sales from products launched in the last five years.

Our growth strategy is to expand our sales and marketing coverage in the United States and abroad, to continue to develop and introduce innovative products and to seek complementary businesses and technologies for collaboration or acquisition.

AngioDynamics is a Delaware corporation. Our executive offices are located at 603 Queensbury Avenue, Queensbury, New York 12804, and our telephone number is (518) 798-1215. Our website can be found at www.angiodynamics.com. Information on our website is not deemed to be part of this prospectus.

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The Offering

Common stock offered by us	2,400,000 shares
Common stock to be outstanding after the offering	14,955,965 shares(1)
Use of proceeds	To support our growth strategy, we intend to use the net proceeds from shares sold by us in this offering for possible acquisitions of complementary businesses and technologies, for working capital and for other general corporate purposes. See Use of Proceeds.
Nasdaq National Market symbol	ANGO
Risk Factors	For a discussion of certain risks that should be considered in connection with an investment in our common stock, see Risk Factors.

(1) Based on 12,555,965 shares of common stock outstanding on April 1, 2006. Unless otherwise indicated, information contained in this prospectus regarding the number of shares of common stock outstanding after this offering does not include the following:

360,000 shares issuable by us upon exercise of the underwriters over-allotment option; and

1,368,441 shares issuable upon exercise of outstanding stock options granted under our 1997 Stock Option Plan, 2004 Stock and Incentive Award Plan and two Spin-Off Adjustment Stock Option Plans, with a weighted average exercise price of $11.86 per share, and 67,500 shares of our common stock underlying outstanding performance share awards and restricted stock units.

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Summary Consolidated Financial Data

The following tables summarize consolidated financial and operating data regarding our business and should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fifty-two weeks ended			Thirty-nine weeks ended	
	May 31, 2003	May 29, 2004	May 28, 2005	February 26, 2005	February 25, 2006
	(in thousands, except share and per share data)				
Income Statement Data:					
Net sales	$ 38,434	$ 49,055	$ 60,289	$ 42,957	$ 54,859
Cost of goods sold	18,572	23,254	26,912	19,336	22,945
Gross profit	19,862	25,801	33,377	23,621	31,914
Operating expenses					
Sales and marketing	11,338	13,562	16,000	11,382	15,021
General and administrative	2,777	3,565	5,080	3,753	5,181
Research and development	2,509	3,551	4,570	3,276	4,510
Total operating expenses	16,624	20,678	25,650	18,411	24,712
Operating profit	3,238	5,123	7,727	5,210	7,202
Other income (expense)					
Interest income	38	16	304	190	549
Impairment loss on investment			(300)	(300)	
Interest expense, net(a)	(1,021)	(758)	(150)	(113)	(103)
Other income			36	16	149
Income before income tax provision	2,255	4,381	7,617	5,003	7,797
Income tax provision	1,069	1,238	3,069	2,121	2,969
Net income	$ 1,186	$ 3,143	$ 4,548	$ 2,882	$ 4,828
Earnings per common share:					
Basic:	$ .13	$ .34	$ .39	$ .25	$ .39
Diluted:	$ .13	$ .32	$ .37	$ .24	$ .37
Weighted average number of shares used in per share calculation:					
Basic:	9,200,000	9,216,027	11,571,317	11,498,425	12,253,254
Diluted:	9,472,233	9,838,168	12,328,783	12,192,518	12,908,800
Net cash provided by operating activities	$ 680	$ 2,500	$ 4,788	$ 2,997	$ 4,736

Net cash used in investing activities	(4,572)	(996)	(13,537)	(9,662)	(7,736)
Net cash provided by financing activities	3,306	(696)	21,500	20,322	1,858

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	As of February 25, 2006	
	Actual	As Adjusted(b)
	(in thousands)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and marketable securities	$ 28,907	$ 96,072
Working capital	46,004	113,169
Total assets	70,227	137,392
Non-current liabilities	2,800	2,800
Retained earnings	1,108	1,108
Total stockholders equity	57,334	124,499

(a) Interest expense, net, includes imputed interest on debt to E-Z-EM of $892 and $596 for the fifty-two weeks ended May 31, 2003 and May 29, 2004, respectively. The interest charges are treated as non-cash items for cash flow purposes and increases to additional paid-in capital. Of our indebtedness to E-Z-EM, $13,148 was capitalized prior to the completion of our initial public offering in June 2004, and the remaining $3,000 was repaid in June 2004, from the proceeds of the initial public offering.

(b) Adjusted to give effect to the issuance and sale of 2,400,000 shares of our common stock at an assumed public offering price of $30.06 per share and the receipt of net proceeds of approximately $67,165 from this offering, after deducting underwriting discounts and commissions and offering expenses payable by us.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully each of the following risks and all other information contained or incorporated by reference in this prospectus before deciding to purchase shares of our common stock. If any of the events described below actually occurs, our business, financial condition and operating results could be adversely affected. As a result, the trading price of our common stock could decline, perhaps significantly, and you could lose all or part of your investment.

If we fail to develop or market new products and enhance existing products, we could lose market share to our competitors and our results of operations could suffer.

The market for interventional devices is characterized by rapid technological change, new product introductions, technological improvements, changes in physician requirements and evolving industry standards. To be successful, we must continue to develop and commercialize new products and to enhance versions of our existing products. Our products are technologically complex and require significant planning, design, development and testing before they may be marketed. This process generally takes at least 12 to 18 months from initial concept and may take up to several years. In addition, product life cycles are relatively short because medical device manufacturers continually develop smaller, more effective and less expensive versions of existing devices in response to physician demand. Our success in developing and commercializing new and enhanced versions of our products is affected by our ability to:

- timely and accurately identify new market trends;
- accurately assess customer needs;
- minimize the time and costs required to obtain regulatory clearance or approval;
- adopt competitive pricing;
- timely manufacture and deliver products;
- accurately predict and control costs associated with the development, manufacturing and support of our products; and
- anticipate and compete effectively with our competitors efforts.

Market acceptance of our products depends in part on our ability to demonstrate that our products are cost-effective and easier to use, as well as offer technological advantages. Additionally, we may experience design, manufacturing, marketing or other difficulties that could delay or prevent our development, introduction or marketing of new versions of our products. As a result of such difficulties and delays, our development expenses may increase and, as a consequence, our results of operations could suffer.

Competition may decrease our market share and cause our revenues to decline.

The markets for interventional devices are highly competitive, and we expect competition to continue to intensify. We may not be able to compete effectively, and we may lose market share to our competitors. The principal competitors in the markets for our products currently include: Boston Scientific Corporation; Cook, Incorporated; Cordis Corporation, a subsidiary of Johnson & Johnson, Inc.; C.R. Bard Inc.; Diomed Inc.; Medical Components, Inc., or Medcomp; and VNUS Medical Technologies, Inc. Many of our competitors have substantially greater:

financial and other resources;

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variety of products;

technical capabilities;

ability to develop and introduce new products;

patent portfolios that may present an obstacle to the conduct of our business;

name recognition;

distribution networks and in-house sales forces; and

relationships with some of our potential customers.

Our competitors may succeed in developing technologies and products earlier, in obtaining patent protection or regulatory clearance earlier, or in commercializing new products or technologies more rapidly than us. Our competitors may also develop products and technologies that are superior to those we are developing or that otherwise could render our products obsolete or noncompetitive. In addition, we may face competition from providers of other medical therapies, such as pharmaceutical companies, that may offer non-surgical therapies for conditions that are currently or intended to be treated using our products. Our products are generally sold at higher prices than those of our competitors. However, in the current environment of managed care, which is characterized by economically motivated buyers, consolidation among healthcare providers, increased competition and declining reimbursement rates, we are increasingly being required to compete on the basis of price. If we are not able to compete effectively, our market share and revenues may decline.

We may be exposed to risks associated with acquisitions, including integration risks and risks associated with methods of financing and the impact of accounting treatment. Accordingly, completed acquisitions may not enhance our business.

Part of our growth strategy is to acquire businesses and technologies that are complementary to ours. Any such acquisitions would be accompanied by the risks commonly encountered in acquisitions, including the:

potential disruption of our business while we evaluate opportunities, complete acquisitions and develop and implement new business strategies to take advantage of these opportunities;

inability of our management to maximize our financial and strategic position by incorporating an acquired technology or business into our existing offerings;

difficulty of maintaining uniform standards, controls, procedures and policies;

difficulty of assimilating the operations and personnel of acquired businesses;

potential loss of key employees of acquired businesses, and the impairment of relationships with employees and customers as a result of changes in management; and

uncertainty as to the long-term success of any acquisitions we may make.

We cannot assure you that any completed acquisition will enhance our business. If we proceed with one or more significant acquisitions in which the consideration consists of cash, a substantial portion of our available cash, including proceeds of this offering, could be used to consummate the acquisitions. If we consummate one or more acquisitions in which the consideration consists of capital stock, our stockholders could suffer significant dilution of their interest in us. In addition, we could incur or assume significant amounts of indebtedness in connection with acquisitions. Further, acquisitions could also result in significant goodwill and amortization charges for acquired businesses or technologies.

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If we fail to adequately protect our intellectual property rights, our business may suffer.

Our success depends in part on obtaining, maintaining and enforcing our patents, trademarks and other proprietary rights, and our ability to avoid infringing the proprietary rights of others. We take precautionary steps to protect our technological advantages and intellectual property. We rely upon patent, trade secret, copyright, know-how and trademark laws, as well as license agreements and contractual provisions, to establish our intellectual property rights and protect our products. However, these measures may not adequately protect our intellectual property rights.

Our patents may not provide commercially meaningful protection, as competitors may be able to design around our patents to produce alternative, non-infringing designs. Additionally, we may not be able to effectively protect our rights in unpatented technology, trade secrets and confidential information. Although we require our new employees, consultants and corporate partners to execute confidentiality agreements, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, may not provide adequate remedies.

If third parties claim that our products infringe their intellectual property rights, we may be forced to expend significant financial resources and management time defending against such actions and our results of operations could suffer.

Third parties may claim that our products infringe their patents and other intellectual property rights. Identifying third-party patent rights can be particularly difficult because, in general, patent applications can be maintained in secrecy for at least 18 months after their earliest priority date. Some companies in the medical device industry have used intellectual property infringement litigation to gain a competitive advantage. If a competitor were to challenge our patents, licenses or other intellectual property rights, or assert that our products infringe its patent or other intellectual property rights, we could incur substantial litigation costs, be forced to make expensive changes to our product design, license rights in order to continue manufacturing and selling our products, or pay substantial damages. Third-party infringement claims, regardless of their outcome, would not only consume our financial resources but also divert our management s time and effort. Such claims could also cause our customers or potential customers to purchase competitors products or defer or limit their purchase or use of our affected products until resolution of the claim.

In January 2004, Diomed filed an action against us alleging that our VenaCure products for the treatment of varicose veins infringe a patent held by Diomed for a laser system that competes with our VenaCure products. Diomed s complaint seeks injunctive relief and compensatory and treble damages. In October 2005, VNUS Medical Technologies filed an action against us, Diomed and another defendant alleging, among other things, that the manufacture, use and sale of our VenaCure products infringe several patents held by VNUS and seeking injunctive relief and compensatory and treble damages. For fiscal 2005, and the first nine months of fiscal 2006, sales of our VenaCure products accounted for approximately 13% and 14%, respectively, of our total sales. If Diomed or VNUS Medical Technologies is successful in its action against us, our results of operations could suffer.

We are dependent on single and limited source suppliers, which puts us at risk for supplier business interruptions.

We currently purchase significant amounts of several key products and product components from single and limited source suppliers and anticipate that we will do so for future products as well. For fiscal 2005, approximately 43% of our net sales were derived from sales of products manufactured for us by third parties. In addition, approximately 47% of our sales growth over our past two fiscal years was attributable to products that we licensed or obtained from third parties. Our principal single source supplier, Medcomp, supplies us with most of our dialysis catheters, which accounted for about 26% of our net sales in fiscal 2005. Medcomp

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also competes with us by selling two dialysis catheters, for which it has not granted us exclusive rights, and other catheters that we do not purchase from them. Additionally, we purchase the laser and laser fibers for our VenaCure products from biolitec, which also competes with us. Our contract with biolitec terminates in April 2007. Any delays in delivery of or shortages in those products and components could interrupt and delay manufacturing of our products and result in the cancellation of orders for our products. Any or all of these suppliers could discontinue the manufacture or supply of these products and components at any time. We may not be able to identify and integrate alternative sources of supply in a timely fashion or at all. Any transition to alternate suppliers may result in production delays and increased costs and may limit our ability to deliver products to our customers. Furthermore, if we are unable to identify alternative sources of supply, we would have to modify our products to use substitute components, which may cause delays in shipments, increased design and manufacturing costs and increased prices for our products.