

TRANSGENOMIC INC
Form 10-Q
August 13, 2009
Table of Contents

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, 2009

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)

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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)

68164
(Zip Code)

(402) 452-5400

(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 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. (Check one):

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 August 13, 2009, the number of shares of common stock outstanding was 49,189,672.

Table of Contents

TRANSGENOMIC, INC.

INDEX

	Page No.
PART I. <u>FINANCIAL INFORMATION</u>	3
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets as of June 30, 2009 (Unaudited) and December 31, 2008 (Audited)</u>	3
<u>Unaudited Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2009 and 2008</u>	4
<u>Unaudited Condensed Consolidated Statements of Stockholders' Equity for the Three and Six Months Ended June 30, 2009</u>	5
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008</u>	6
<u>Notes to Condensed Consolidated Unaudited Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
Item 4T. <u>Controls and Procedures</u>	24
PART II. <u>OTHER INFORMATION</u>	25
Item 1. <u>Legal Proceedings</u>	25
Item 1A. <u>Risk Factors</u>	25
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	25
Item 6. <u>Exhibits</u>	25
<u>Signatures</u>	26

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****TRANSGENOMIC, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands except per share data)

	June 30, 2009 (unaudited)	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,776	\$ 4,771
Accounts receivable (net of allowances for bad debts of \$358 and \$388, respectively)	4,310	5,385
Inventories	4,639	4,775
Prepaid expenses and other current assets	513	654
Total current assets	14,238	15,585
PROPERTY AND EQUIPMENT:		
Equipment	10,211	10,059
Furniture, fixtures & leasehold improvements	3,931	3,920
	14,142	13,979
Less: accumulated depreciation	(13,042)	(12,781)
	1,100	1,198
OTHER ASSETS:		
Other assets (net of accumulated amortization of \$457 and \$425, respectively)	748	773
	\$ 16,086	\$ 17,556
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 873	\$ 905
Other accrued expenses	2,592	2,810
Accrued compensation	577	520
Total current liabilities	4,042	4,235
Other long-term liabilities	143	116
Total liabilities	4,185	4,351
STOCKHOLDERS EQUITY:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized, none outstanding		
Common stock, \$.01 par value, 100,000,000 shares authorized, 49,189,672 shares outstanding	497	497
Additional paid-in capital	139,600	139,501
Accumulated other comprehensive income	1,749	1,470
Accumulated deficit	(129,945)	(128,263)

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Total stockholders' equity	11,901	13,205
	\$ 16,086	\$ 17,556

See notes to unaudited condensed consolidated financial statements.

Table of Contents**TRANSGENOMIC, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
NET SALES	\$ 5,473	\$ 6,246	\$ 10,463	\$ 12,501
COST OF GOODS SOLD	2,822	2,507	4,999	5,122
Gross profit	2,651	3,739	5,464	7,379
OPERATING EXPENSES:				
Selling, general and administrative	2,732	3,091	5,708	6,066
Research and development	686	560	1,530	1,132
Restructuring Costs		8		8
	3,418	3,659	7,238	7,206
INCOME (LOSS) FROM OPERATIONS	(767)	80	(1,774)	173
OTHER INCOME (EXPENSE):				
Interest income, net of interest expense	2	25	14	58
Other, net	(3)		(3)	(1)
	(1)	25	11	57
INCOME (LOSS) BEFORE INCOME TAXES	(768)	105	(1,763)	230
INCOME TAX EXPENSE (BENEFIT)	(38)	4	(80)	7
NET INCOME (LOSS)	\$ (730)	\$ 101	\$ (1,683)	\$ 223
BASIC AND DILUTED INCOME (LOSS) PER SHARE	\$ (0.01)	\$ 0.00	\$ (0.03)	\$ 0.00
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	49,189,672	49,189,672	49,189,672	49,189,672
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	49,189,672	49,301,010	49,189,672	49,301,010

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Six Months Ended June 30, 2009

(Dollars in thousands except per share data)

	Common Stock		Additional	Accumulated	Accumulated	Total
	Outstanding	Par	Paid-in	Deficit	Other	
	Shares	Value	Capital		Comprehensive	
					Income (Loss)	
Balance, January 1, 2009	49,189,672	\$ 497	\$ 139,501	\$ (128,263)	\$ 1,470	\$ 13,205
Net loss				(1,683)	(1,683)	(1,683)
Other comprehensive income (loss):						
Foreign currency translation adjustment, net of tax					279	279
Comprehensive loss					(1,404)	
Non-cash stock-based compensation			99			99
Balance, June 30, 2009	49,189,672	\$ 497	\$ 139,600	\$ (129,945)	\$ 1,749	\$ 11,901

See notes to unaudited condensed consolidated financial statements.

Table of Contents**TRANSGENOMIC, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss)	\$ (1,683)	\$ 223
Adjustments to reconcile net income (loss) to net cash flows used in operating activities:		
Depreciation and amortization	426	342
Non-cash, stock based compensation	99	135
Loss on sale of investment and assets		12
Changes in operating assets and liabilities:		
Accounts receivable	1,369	(381)
Inventories	260	(14)
Prepaid expenses and other current assets	165	129
Accounts payable	(69)	(330)
Accrued expenses and accrued compensation	(393)	70
Other long term liabilities	10	7
Long term deferred income taxes	9	
Net cash flows provided by operating activities	193	193
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchase of property and equipment	(219)	(93)
Change in other assets	(13)	(38)
Net cash flows used in investing activities	(232)	(131)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	44	(93)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5	(31)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,771	5,723
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,776	\$ 5,692
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$	\$
Income taxes, net	6	13

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended June 30, 2009 and 2008

A. BUSINESS DESCRIPTION

Business Description.

Transgenomic, Inc. provides innovative products for the purification and analysis of nucleic acids used in the life sciences industry for research focused on molecular genetics and diagnostics. We also provide genetic variation analytical services to the medical research, clinical and pharmaceutical markets. Net sales are categorized as Instrument Related Business and Laboratory Services.

Instrument Related Business:

Bioinstruments. Our flagship product is the WAVE[®] System which has broad applicability to genetic variation detection in both molecular genetic research and molecular diagnostics. There is a worldwide installed base of over 1,450 WAVE Systems as of June 30, 2009. We also distribute bioinstruments produced by other manufacturers (OEM Equipment) through our sales and distribution network. Service contracts to maintain installed systems are sold and supported by technical support personnel.