

IRADIMED CORP
Form 10-Q
August 08, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 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 No.: 001-36534

IRADIMED CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

73-1408526
(I.R.S. Employer
Identification Number)

1025 Willa Springs Drive
Winter Springs, Florida
(Address of principal executive offices)

32708
(Zip Code)

(407) 677-8022

(Registrant's telephone number, including area code)

N/A

(Former Name, former address and former fiscal year, if changed since last report)

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 definitions of large accelerated filer, accelerated filer and smaller reporting company as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
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

Edgar Filing: IRADIMED CORP - Form 10-Q

any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had 10,680,132 shares of common stock, par value \$0.0001 per share, outstanding as of July 31, 2018.

Table of Contents

IRADIMED CORPORATION

Table of Contents

| | | Page |
|--------------------------|---|-------------|
| <u>Part I</u> | <u>Financial Information</u> | |
| | <u>Item 1</u> | |
| | <u>Condensed Financial Statements</u> | 2 |
| | (a) <u>Condensed Balance Sheets as of June 30, 2018 (Unaudited) and December 31, 2017</u> | 2 |
| | (b) <u>Condensed Statements of Operations for the Three and Six Months Ended June 30, 2018 and 2017 (Unaudited)</u> | 3 |
| | (c) <u>Condensed Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2018 and 2017 (Unaudited)</u> | 4 |
| | (d) <u>Condensed Statements of Cash Flows for the Six Months Ended June 30, 2018 and 2017 (Unaudited)</u> | 5 |
| | (e) <u>Notes to Unaudited Condensed Financial Statements</u> | 6 |
| | <u>Item 2</u> | |
| | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 16 |
| | <u>Item 3</u> | |
| | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 24 |
| | <u>Item 4</u> | |
| | <u>Controls and Procedures</u> | 24 |
| <u>Part II</u> | <u>Other Information</u> | |
| | <u>Item 1</u> | |
| | <u>Legal Proceedings</u> | 25 |
| | <u>Item 1A</u> | |
| | <u>Risk Factors</u> | 25 |
| | <u>Item 2</u> | |
| | <u>Unregistered Sale of Equity Securities and Use of Proceeds</u> | 42 |
| | <u>Item 3</u> | |
| | <u>Default Upon Senior Securities</u> | 42 |
| | <u>Item 4</u> | |
| | <u>Mine Safety Disclosures</u> | 42 |
| | <u>Item 5</u> | |
| | <u>Other Information</u> | 42 |
| | <u>Item 6</u> | |
| | <u>Exhibits</u> | 43 |
| <u>Signatures</u> | | 44 |

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Financial Statements**

IRADIMED CORPORATION
CONDENSED BALANCE SHEETS

| | June 30, 2018 (unaudited) | December 31, 2017 |
|---|---------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 21,330,879 | \$ 18,205,976 |
| Accounts receivable, net of allowance for doubtful accounts of \$40,138 as of June 30, 2018 and \$37,225 as of December 31, 2017 | 3,981,688 | 3,778,929 |
| Investments | 8,172,009 | 8,135,123 |
| Inventory, net | 4,433,934 | 4,210,846 |
| Prepaid expenses and other current assets | 746,153 | 648,881 |
| Prepaid income taxes | 110,927 | 127,855 |
| Total current assets | 38,775,590 | 35,107,610 |
| Property and equipment, net | 1,888,831 | 1,868,851 |
| Intangible assets, net | 847,696 | 885,502 |
| Deferred income taxes, net | 1,130,288 | 950,375 |
| Other assets | 189,040 | 200,196 |
| Total assets | \$ 42,831,445 | \$ 39,012,534 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 735,314 | \$ 656,723 |
| Accrued payroll and benefits | 1,336,390 | 1,512,336 |
| Other accrued taxes | 62,692 | 109,502 |
| Warranty reserve | 60,276 | 60,538 |
| Deferred revenue | 1,902,727 | 1,617,571 |
| Other current liability | 108,571 | 108,571 |
| Accrued income taxes | 434,887 | 12,731 |
| Total current liabilities | 4,640,857 | 4,077,972 |
| Deferred revenue | 2,023,574 | 2,003,685 |
| Total liabilities | 6,664,431 | 6,081,657 |
| Stockholders equity: | | |
| Common stock; \$0.0001 par value; 31,500,000 shares authorized; 10,665,918 shares issued and outstanding as of June 30, 2018 and 10,596,566 shares issued and outstanding as of December 31, 2017 | 1,067 | 1,060 |
| Additional paid-in capital | 13,701,066 | 12,623,181 |
| Retained earnings | 22,562,205 | 20,355,545 |
| Accumulated other comprehensive loss | (97,324) | (48,909) |
| Total stockholders equity | 36,167,014 | 32,930,877 |
| Total liabilities and stockholders equity | \$ 42,831,445 | \$ 39,012,534 |

Edgar Filing: IRADIMED CORP - Form 10-Q

See accompanying notes to unaudited condensed financial statements.

Table of Contents

IRADIMED CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|--------------|--------------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue | \$ 7,376,785 | \$ 5,524,364 | \$ 14,484,936 | \$ 10,686,924 |
| Cost of revenue | 1,710,890 | 1,234,314 | 3,402,425 | 2,621,932 |
| Gross profit | 5,665,895 | 4,290,050 | 11,082,511 | 8,064,992 |
| Operating expenses: | | | | |
| General and administrative | 2,078,356 | 2,189,925 | 4,381,888 | 4,297,182 |
| Sales and marketing | 1,516,044 | 1,323,539 | 3,161,980 | 2,688,315 |
| Research and development | 395,988 | 449,011 | 775,814 | 990,301 |
| Total operating expenses | 3,990,388 | 3,962,475 | 8,319,682 | 7,975,798 |
| Income from operations | 1,675,507 | 327,575 | 2,762,829 | 89,194 |
| Other income, net | 27,838 | 21,138 | 67,910 | 50,662 |
| Income before provision for income taxes | 1,703,345 | 348,713 | 2,830,739 | 139,856 |
| Provision for income tax expense (benefit) | 348,377 | (8,360) | 634,575 | 16,123 |
| Net income | \$ 1,354,968 | \$ 357,073 | \$ 2,196,164 | \$ 123,733 |
| Net income per share: | | | | |
| Basic | \$ 0.13 | \$ 0.03 | \$ 0.21 | \$ 0.01 |
| Diluted | \$ 0.11 | \$ 0.03 | \$ 0.18 | \$ 0.01 |
| Weighted average shares outstanding: | | | | |
| Basic | 10,651,619 | 10,687,746 | 10,630,123 | 10,714,215 |
| Diluted | 12,011,475 | 11,727,473 | 11,953,486 | 11,764,747 |

See accompanying notes to unaudited condensed financial statements.

Table of Contents

IRADIMED CORPORATION
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|------------|--------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | \$ 1,354,968 | \$ 357,073 | \$ 2,196,164 | \$ 123,733 |
| Other comprehensive income (loss): | | | | |
| Change in fair value of available-for-sale securities, net of tax expense (benefit) of \$1,115 and \$3,776 for the three months ended June 30, 2018 and 2017, respectively, and \$(13,013) and \$3,665 for the six months ended June 30, 2018 and 2017, respectively | 3,905 | 3,923 | (38,746) | 6,047 |
| Realized loss on available-for-sale securities reclassified to net income, net of tax benefit of \$588 and \$0 for the three months ended June 30, 2018 and 2017, respectively, and \$502 and \$2,043 for the six months ended June 30, 2018 and 2017, respectively | 1,256 | 1,417 | 827 | 4,473 |
| Other comprehensive income (loss) | 5,161 | 5,340 | (37,919) | 10,520 |
| Comprehensive income | \$ 1,360,129 | \$ 362,413 | \$ 2,158,245 | \$ 134,253 |

See accompanying notes to unaudited condensed financial statements.

Table of Contents

IRADIMED CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six Months Ended June 30, | |
|---|------------------------------|---------------|
| | 2018 | 2017 |
| Operating activities: | | |
| Net income | \$ 2,196,164 | \$ 123,733 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Change in allowance for doubtful accounts | 12,137 | (6,611) |
| Change in provision for excess and obsolete inventory | 73,581 | 23,659 |
| Depreciation and amortization | 830,163 | 632,813 |
| Write-off of non-trade accounts receivable | | 205,444 |
| Stock-based compensation | 858,408 | 821,803 |
| Deferred income taxes, net | (167,401) | (297,619) |
| Loss on maturities of investments | 1,100 | 6,520 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (214,896) | (210,662) |
| Inventory | (300,990) | (371,912) |
| Prepaid expenses and other current assets | (849,413) | (375,040) |
| Other assets | (20,316) | (1,928) |
| Accounts payable | (56,199) | (408,868) |
| Accrued payroll and benefits | (175,946) | 66,803 |
| Other accrued taxes | (46,810) | (31,529) |
| Warranty reserve | (262) | (1,012) |
| Deferred revenue | 527,305 | 783,466 |
| Accrued income taxes, net of prepaid income taxes | 439,084 | (852,171) |
| Net cash provided by operating activities | 3,105,709 | 106,889 |
| Investing activities: | | |
| Purchases of investments | (918,417) | (1,321,257) |
| Proceeds from maturity of investments | 830,000 | 2,270,004 |
| Purchases of property and equipment | (105,328) | (411,200) |
| Capitalized intangible assets | (6,545) | (9,214) |
| Net cash (used in) provided by investing activities | (200,290) | 528,333 |
| Financing activities: | | |
| Proceeds from stock option exercises | 235,080 | 49,459 |
| Taxes paid related to the net share settlement of equity awards | (15,596) | (44,742) |
| Purchases of treasury stock | | (1,553,193) |
| Net cash provided by (used in) financing activities | 219,484 | (1,548,476) |
| Net increase (decrease) in cash and cash equivalents | 3,124,903 | (913,254) |
| Cash and cash equivalents, beginning of period | 18,205,976 | 17,713,871 |
| Cash and cash equivalents, end of period | \$ 21,330,879 | \$ 16,800,617 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for income taxes | \$ | |