

BioTelemetry, Inc.
Form 10-Q
October 31, 2014
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**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 September 30, 2014

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 000-55039

BioTelemetry, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

46-2568498

(I.R.S. Employer Identification Number)

**1000 Cedar Hollow Road
Malvern, Pennsylvania**

(Address of Principal Executive Offices)

19355

(Zip Code)

(610) 729-7000

(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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 October 28, 2014, 26,683,689 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

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BIOTELEMETRY, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2014

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FORWARD-LOOKING STATEMENTS

This document includes certain forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may be identified by words such as expect, anticipate, estimate, intend, plan, believe, promises words and terms of similar meaning. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including important factors that could delay, divert, or change any of these expectations, and could cause actual outcomes and results to differ materially from current expectations. These factors include, among other things, our ability to successfully integrate the Mednet, Biomedical Systems and Radcore businesses into our business and the effect such acquisitions will have on our results of operation, our ability to successfully finalize a settlement of the Department of Justice investigation, effectiveness of our cost savings initiatives, relationships with our government and commercial payors, changes to insurance coverage and reimbursement levels for our products, the success of our sales and marketing initiatives, our ability to attract and retain talented executive management and sales personnel, our ability to identify acquisition candidates, acquire them on attractive terms and integrate their operations into our business, the commercialization of new products, market factors, internal research and development initiatives, partnered research and development initiatives, competitive product development, changes in governmental regulations and legislation, the continued consolidation of payors, acceptance of our new products and services, patent protection, adverse regulatory action, and litigation success. For further details and a discussion of these and other risks and uncertainties, please see our public filings with the Securities and Exchange Commission, including our latest periodic reports on Form 10-K and 10-Q. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****BIOTELEMETRY, INC.****CONSOLIDATED BALANCE SHEETS***(In thousands, except share and per share amounts)*

	(Unaudited) September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,190	\$ 22,151
Accounts receivable, net of allowance for doubtful accounts of \$9,416 and \$7,555, at September 30, 2014 and December 31, 2013, respectively	16,910	11,437
Other receivables, net of allowance for doubtful accounts of \$259 and \$85 at September 30, 2014 and December 31, 2013, respectively	8,435	5,680
Inventory	2,559	2,554
Prepaid expenses and other current assets	1,826	2,433
Total current assets	41,920	44,255
Property and equipment, net	29,049	18,779
Intangible assets, net	16,117	7,312
Goodwill	29,716	16,469
Other assets	1,281	731
Total assets	\$ 118,083	\$ 87,546
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 12,775	\$ 8,718
Accrued liabilities	18,151	8,190
Current portion of capital leases	554	187
Current portion of long-term debt	450	
Deferred revenue	2,455	1,945
Total current liabilities	34,385	19,040
Long-term debt	17,074	
Deferred tax liability	1,314	767
Long-term portion of capital leases	451	469
Deferred rent	939	441
Total liabilities	54,163	20,717
Shareholders' equity:		
Common stock, \$0.001 par value; 200,000,000 shares authorized; 26,652,984 and 25,812,754 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	26	26
Paid-in capital	265,827	260,597
Accumulated deficit	(201,933)	(193,794)

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Total stockholders' equity		63,920		66,829
Total liabilities and stockholders' equity	\$	118,083	\$	87,546

See accompanying notes.

Table of Contents**BIOTELEMETRY, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)****(Unaudited)***(In thousands, except share and per share amounts)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Patient services	\$ 34,662	\$ 24,279	\$ 98,116	\$ 73,894
Research services	4,778	5,962	14,863	16,086
Product	3,673	1,633	9,946	6,416
Total revenues	43,113	31,874	122,925	96,396
Cost of revenues:				
Patient services	14,753	8,734	40,721	26,325
Research services	2,563	2,696	8,044	8,203
Product	2,119	1,210	5,225	3,593
Total cost of revenues	19,435	12,640	53,990	38,121
Gross profit	23,678	19,234	68,935	58,275
Operating expenses:				
General and administrative	10,987	8,959	32,898	27,564
Sales and marketing	7,299	6,708	21,911	19,737
Bad debt expense	1,868	1,427	6,972	5,861
Research and development	1,993	1,898	5,740	5,400
Integration, restructuring and other charges	1,045	3,077	5,025	6,820
Total expenses	23,192	22,069	72,546	65,382
Income (loss) from operations	486	(2,835)	(3,611)	(7,107)
Interest and other loss, net	(293)	(97)	(7,151)	(211)
Income (loss) before income taxes	193	(2,932)	(10,762)	(7,318)
(Loss) Benefit from income taxes	(222)	(24)	2,623	(24)
Net loss and comprehensive loss	(29)	(2,956)	(8,139)	(7,342)
Net loss per common share:				
Basic and diluted	\$ (0.00)	\$ (0.12)	\$ (0.31)	\$ (0.29)
Weighted average number of common shares outstanding:				
Basic and diluted	26,521,605	25,616,417	26,354,184	25,449,554

See accompanying notes.

Table of Contents**BIOTELEMETRY, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)***(In thousands)*

	Nine Months Ended September 30,	
	2014	2013
Operating activities		
Net loss	\$ (8,139)	\$ (7,342)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for doubtful accounts	6,972	5,861
Depreciation	6,838	7,739
Stock-based compensation	2,662	2,505
Amortization of intangibles	2,405	1,737
Deferred income tax benefit	(2,813)	
Increase (decrease) in deferred rent	498	(258)
Changes in operating assets and liabilities:		
Accounts receivable	(11,219)	(3,760)
Inventory	307	(520)
Prepaid expenses and other assets	345	(1,446)
Accounts payable	(402)	1,977
Accrued and other liabilities	7,118	551
Net cash provided by operating activities	4,572	7,044
Investing activities		
Acquisition of business, net of cash acquired	(14,100)	
Purchases of property and equipment	(9,977)	(4,863)
Net cash used in investing activities	(24,077)	(4,863)
Financing activities		
Proceeds from the exercise of employee stock options and employee stock purchase plan contributions	1,016	583
Issuance of long-term debt	17,830	
Repayment of long-term debt	(8,910)	
Principal payments on capital lease obligations	(392)	(42)
Net cash provided by financing activities	9,544	541
Net (decrease) increase in cash and cash equivalents	(9,961)	2,722
Cash and cash equivalents beginning of period	22,151	18,298
Cash and cash equivalents end of period	12,190	21,020
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 561	\$
Cash paid for taxes	\$ 139	\$ 105
Capital lease obligations	\$	\$ 695

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See accompanying notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS