

ABIOMED INC
Form 10-Q
November 08, 2007
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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, 2007

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 0-20584

ABIOMED, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

22 CHERRY HILL DRIVE
DANVERS, MASSACHUSETTS 01923

04-2743260
(IRS Employer
Identification No.)

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(Address of principal executive offices, including zip code)

(978) 646-1400

(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) or 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 is, a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated Filer Non-accelerated filer

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 November 7, 2007, there were 32,523,761 shares outstanding of the registrant's Common Stock, \$.01 par value.

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ABIOMED, INC. AND SUBSIDIARIES

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ABIOMED and ABIOCOR are trademarks of ABIOMED, Inc., and are registered in the U.S.A. and certain foreign countries. BVS is a trademark of ABIOMED, Inc. and is registered in the U.S.A. AB5000 is a trademark of ABIOMED, Inc. IMPELLA and RECOVER are trademarks of Abiomed Europe GmbH, a subsidiary of ABIOMED, Inc., and are registered in the U.S.A. and certain foreign countries.

Table of Contents**PART 1. FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS****ABIOMED, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	September 30, 2007 (Unaudited)	March 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,518	\$ 69,646
Short-term marketable securities		5,479
Accounts receivable, net	8,615	10,932
Inventories	14,600	8,567
Prepaid expenses and other current assets	1,661	1,758
Total current assets	84,394	96,382
Property and equipment, net	7,033	5,764
Intangible assets, net	6,989	7,329
Goodwill	28,396	26,708
Total assets	\$ 126,812	\$ 136,183
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 5,312	\$ 5,185
Accrued expenses	6,582	7,017
Deferred revenue	774	695
Total current liabilities	12,668	12,897
Long-term deferred tax liability	2,458	1,191
Other long-term liabilities	275	
Total liabilities	15,401	14,088
Commitments and contingencies		
Stockholders' equity:		
Class B Preferred Stock, \$.01 par value		
Authorized 1,000,000 shares; Issued and outstanding none		
Common stock, \$.01 par value	325	323
Authorized 100,000,000 shares;		
Issued 32,524,030 shares at September 30, 2007 and 32,254,577 shares at March 31, 2007;		
Outstanding 32,513,011 shares at September 30, 2007 and 32,243,558 shares at March 31, 2007		
Additional paid-in-capital	298,248	292,467
Accumulated deficit	(189,121)	(171,189)
Treasury stock at cost 11,019 shares at September 30, 2007 and at March 31, 2007	(116)	(116)
Accumulated other comprehensive income	2,075	610
Total stockholders' equity	111,411	122,095

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Total liabilities and stockholders' equity	\$	126,812	\$	136,183
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See Accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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

(Unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
Revenue:				
Products	\$ 11,272	\$ 10,867	\$ 25,173	\$ 23,875
Funded research and development	83	19	246	19
	11,355	10,886	25,419	23,894
Costs and expenses:				
Cost of product revenue excluding amortization of intangibles	2,877	2,925	6,409	6,408
Research and development	5,832	5,285	11,348	10,704
Selling, general and administrative	12,257	11,046	24,699	20,438
Arbitration decision	(26)		1,206	
Expensed in-process research and development				800
Amortization of intangible assets	386	504	766	870
	21,326	19,760	44,428	39,220
Loss from operations	(9,971)	(8,874)	(19,009)	(15,326)
Other income:				
Investment income	802	286	1,709	601
Other income, net	(68)	15	(67)	159
	734	301	1,642	760
Net loss before provision for income taxes	(9,237)	(8,573)	(17,367)	(14,566)
Provision for income taxes	145	103	290	241
Net loss	\$ (9,382)	\$ (8,676)	\$ (17,657)	\$ (14,807)
Basic and diluted net loss per share	\$ (0.29)	\$ (0.33)	\$ (0.55)	\$ (0.56)
Weighted average shares outstanding	32,422	26,611	32,379	26,553

See Accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents**ABIOMED, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

(Unaudited)

(in thousands)

	Six months ended September 30, 2007	
	2007	2006
Operating activities:		
Net loss	\$ (17,657)	\$ (14,807)
Adjustments required to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	2,191	1,930
Bad debt expense	101	45
Stock-based compensation	2,934	3,251
Write-down of inventory	243	159
Loss on disposal of fixed assets	7	
Impairment of intangibles		134
Deferred tax provision	290	241
Arbitration decision	728	
Expensed in-process research and development		800
Changes in assets and liabilities:		
Accounts receivable	2,301	605
Inventories	(6,362)	(1,050)
Prepaid expenses and other current assets	131	(174)
Accounts payable	111	389
Accrued expenses	(433)	(207)
Deferred revenue	76	175
Net cash used for operating activities	(15,339)	(8,509)
Investing activities:		
Proceeds from the sale and maturity of short-term securities	5,479	18,872
Purchases of short-term securities		(10,799)
Expenditures for intangible assets	(15)	(829)
Expenditures for property and equipment	(2,323)	(1,550)
Net cash provided by investing activities	3,141	5,694
Financing activities:		
Issuance of common stock	874	
Proceeds from the exercise of stock options	1,044	1,599
Proceeds from employee stock purchase plan	128	159
Net cash provided by financing activities	2,046	1,758
Effect of exchange rate changes on cash	24	277
Net decrease in cash and cash equivalents	(10,128)	(780)
Cash and cash equivalents at beginning of period	69,646	7,832
Cash and cash equivalents at end of period	\$ 59,518	\$ 7,052

See Accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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ABIOMED, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(In thousands, except share data)

1. Nature of Business and Basis of Preparation

Abiomed, Inc. (the Company or Abiomed) is a leading provider of medical devices in circulatory support that offers a continuum of care in heart recovery to acute heart failure patients. The Company's strategy is focused on establishing heart recovery as the goal for all acute cardiac attacks. The Company's products are designed to enable the heart to rest, heal and recover by improving blood flow and/or performing the pumping function of the heart. The products can be used in a broad range of clinical settings, including by cardiologists for patients who are in pre-shock or in need of prophylactic support in the cardiac catheterization lab, or cath lab, and by heart surgeons for patients in profound shock. Abiomed is focused on increasing awareness of heart recovery and establishing it as the goal for all acute patients experiencing cardiac attacks (heart attacks) with failing but potentially recoverable hearts. The Company expects that recovery awareness and utilization of its products will significantly increase the number of patients able to return home from the hospital with their own hearts.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting and in accordance with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by GAAP for complete financial statements. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007 that has been filed with the SEC.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of results for the interim periods presented. The results of operations for any interim period may not be indicative of results for the full fiscal year.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to revenue recognition, inventories, impairment of intangible assets and goodwill, income taxes including the valuation allowance for deferred tax assets, stock-based compensation, valuation of long-lived assets and investments, contingencies and litigation. Abiomed bases its estimates on historical experiences and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimated or assumed.

Table of Contents**ABIOMED, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued****(In thousands, except share data)*****Note 3. Restricted Cash***

The Company had restricted cash of \$0 million at September 30, 2007 and approximately \$0.3 million included in prepaid expenses and other current assets at March 31, 2007. This cash represents security deposits that were held in the Company's European banks for a certain facility lease.

Note 4. Marketable Securities

The amortized cost, including interest receivable, approximates market value of held-to-maturity short-term marketable securities and was \$0 million at September 30, 2007 and \$5.5 million at March 31, 2007. There were no available-for-sale securities at September 30, 2007 and at March 31, 2007.

Note 5. Accounts Receivable

The components of accounts receivable are as follows:

	September 30, 2007	March 31, 2007
Trade receivables	\$ 8,924	\$ 11,135