

INVIVO CORP
Form 10-Q
May 15, 2003

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U.S. 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 MARCH 31, 2003

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 0-15963

INVIVO CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
Of incorporation)

77-0115161
(IRS Employer Identification No.)

4900 HOPYARD RD. SUITE 210, PLEASANTON, CALIFORNIA 94588
(Address of principal executive offices) (Zip Code)

TELEPHONE: (925) 468-7600
(Registrant's telephone number)

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's Common Stock, par value \$.01 per share, at May 6, 2003 was 3,869,474 shares.

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(In thousands)

Assets	(UNAUDITED) March 31, 2003	June 30, 2002
Current assets:		
Cash and cash equivalents	\$ 712	1,006
Restricted cash	1,359	1,521
Short-term investments	16,424	27,344
Trade receivables, less allowance for doubtful accounts of \$444 and \$331 as of June 30, 2002	12,245	10,725
Inventories	8,398	6,430
Deferred income taxes	1,300	838
Prepaid expenses and other current assets	468	237
	<u> </u>	<u> </u>
Total current assets	40,906	48,101
Property and equipment, net	5,624	5,476
Intangible assets	7,037	7,037
Other assets	176	144
	<u> </u>	<u> </u>
	\$53,743	60,758
	<u> </u>	<u> </u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,211	1,779
Accrued expenses	5,743	6,046
Current portion of long-term debt	113	113
Income taxes payable	933	1,325
	<u> </u>	<u> </u>
Total current liabilities	9,000	9,263
Long-term debt, excluding current portion	1,379	1,464
Deferred income taxes	550	550
	<u> </u>	<u> </u>
Total liabilities	10,929	11,277
	<u> </u>	<u> </u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.01 par value; authorized shares totaling 20,000,000; issued and outstanding shares totaling 3,865,174 as of March 31, 2003 and 4,434,899 as of June 30, 2002	39	44
Additional paid-in capital	17,513	26,702
Retained earnings	25,198	22,720
Accumulated other comprehensive income	64	15
	<u> </u>	<u> </u>
Total stockholders' equity	42,814	49,481
	<u> </u>	<u> </u>
	\$53,743	60,758



See accompanying notes to consolidated financial statements.



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(in thousands, except per share data)
(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2003	2002	2003	2002
Sales	\$ 13,015	10,908	36,392	30,727
Cost of goods sold	6,493	5,213	17,872	14,404
Gross profit	6,522	5,695	18,520	16,323
Operating expenses:				
Selling, general, and administrative	4,520	4,185	13,078	11,716
Research and experimental	765	763	2,318	2,331
Total operating expenses	5,285	4,948	15,396	14,047
Income from operations	1,237	747	3,124	2,276
Other income (expense):				
Interest income	157	38	530	159
Interest expense	(15)	(17)	(47)	(69)
Other, net	20	(33)	49	(33)
Income from continuing operations before income taxes	1,399	735	3,656	2,333
Income tax expense	476	315	1,179	857
Net income from continuing operations	\$ 923	420	2,477	1,476
Discontinued operations:				
Income from discontinued operations net of income tax of \$99 and \$347		98		511
Loss on disposal of subsidiary, net of income tax benefit of \$223		(288)		(288)
Net income	\$ 923	230	2,477	1,699
Basic net income per share data:				
Continuing operations	\$ 0.22	0.09	0.56	0.33
Discontinued operations		(0.04)		0.05
Basic net income per common share	\$ 0.22	0.05	0.56	0.38
Weighted-average common shares outstanding (basic)	4,219,863	4,428,043	4,386,073	4,425,137
Diluted net income per share data:				
Continuing operations	0.21	0.09	0.54	0.32

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Discontinued operations		(0.04)		0.05
Diluted net income per common share	\$ 0.21	0.05	0.54	0.37
Weighted-average common shares outstanding (diluted)	4,464,087	4,598,986	4,611,154	4,567,903

See accompanying notes to consolidated financial statements

Table of Contents**INVIVO CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows
(in thousands)
(UNAUDITED)**

	For the Nine Months Ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net income	\$ 2,478	1,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of discontinued operation		288
Loss on disposal of fixed assets	2	32
Depreciation and amortization	827	719
Deferred income taxes	(462)	(265)
Changes in operating assets and liabilities:		
Trade receivables	(1,492)	1,852
Inventories	(1,896)	347
Prepaid expenses and other current assets	(231)	(337)
Accrued expenses	(303)	419
Accounts payable	432	121
Income taxes payable	(392)	72
Current liabilities of discontinued operations		(964)
Current assets of discontinued operations		579
	<u>(1,037)</u>	<u>4,562</u>
Cash flows from investing activities:		
Sale (purchase) of short-term investments, net	10,941	(2,095)
Restricted cash	162	
Capital expenditures	(1,049)	(1,460)
Other assets	(32)	
Net investing activities of discontinued operations		116
	<u>10,022</u>	<u>(3,439)</u>
Cash flows from financing activities:		
Repurchase of common stock	(9,844)	
Exercise of stock options	650	68
Payments under long-term debt and capital leases	(85)	(111)
	<u>(9,279)</u>	<u>(43)</u>
Net (decrease) increase in cash and cash equivalents	(294)	1,080
Cash and cash equivalents at beginning of year	1,006	270
	<u>\$ 712</u>	<u>1,350</u>

See accompanying notes to consolidated financial statements.

Table of Contents**INVIVO CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL**

The consolidated balance sheet as of March 31, 2003 and the related consolidated statements of income for the three and nine-month periods ended March 31, 2003 and 2002; and the consolidated statements of cash flows for the nine-month periods ended March 31, 2003 and 2002 of Invivo Corporation (the Company) are unaudited. The consolidated financial statements reflect, in the opinion of management, all adjustments necessary to present fairly the financial position and results of operations as of the end of and for the periods indicated. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented as permitted by Form 10-Q, and do not contain certain information included in the Company's annual consolidated financial statements and notes.

2. SEGMENT INFORMATION

The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 131, Disclosure About Segments of an Enterprise and Related Information. SFAS 131 establishes standards for the reporting by public business enterprises of information about operating segments, products and services, geographic areas, and major customers. The method for determining what information to report is based on the way that management organizes the operating segments within the Company for making operating decisions and assessing financial performance. As a result of the sales of Sierra Precision and Lumidor Safety, previously wholly owned subsidiaries of the Company operating in the Company's industrial instrumentation segment, the Company currently operates in one segment.

3. DEBT AND BANK BORROWINGS

The Company renewed its \$1,000,000 bank line of credit on January 1, 2003. The Company's revolving bank line of credit is unsecured. At March 31, 2003, \$1,000,000 was available under the line of credit.

4. COMPREHENSIVE INCOME

The components of comprehensive income, net of tax, are as follows:

(in thousands)	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2003	2002	2003	2002
Net income	\$ 923	\$ 230	\$2,477	\$ 1,699
Change in unrealized gain on short-term investments	(47)		22	
Change in foreign currency translation	13	7	28	(4)
Comprehensive Income	\$ 889	\$ 237	\$2,527	\$ 1,695

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5. NET INCOME PER COMMON SHARE

The following table presents the calculation for basic and diluted net income per common share:

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2003	2002	2003	2002
BASIC:				
Weighted average common Shares outstanding	4,219,863	4,428,043	4,386,073	4,425,137
Net Income	\$ 923	\$ 230	\$ 2,477	\$ 1,699
Basic net income per common share	\$ 0.22	\$ 0.05	\$ 0.56	\$ 0.38
DILUTED:				
Weighted average common Shares outstanding (basic)	4,219,863	4,428,043	4,386,073	4,425,137
Dilutive stock options	244,224	170,943	225,081	142,766
Weighted average common Shares outstanding (diluted)	4,464,087	4,598,986	4,611,154	4,567,903
Net Income	\$ 923	\$ 230	\$ 2,477	\$ 1,699
Diluted net income per common share	\$ 0.21	\$ 0.05		