

VITAL IMAGES INC
Form 10-Q
November 09, 2009
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**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 September 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 0-22229

VITAL IMAGES, INC.

(Exact name of registrant as specified in its charter)

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Minnesota
(State or other jurisdiction of
incorporation or organization)

42-1321776
(I.R.S. Employer Identification No.)

5850 Opus Parkway, Suite 300
Minnetonka, Minnesota
(Address of principal
executive offices)

55343-4414
(Zip Code)

(952) 487-9500

(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 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

On November 2, 2009, there were 14,300,727 shares of the Registrant's common stock, par value \$.01 per share, outstanding.

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September 30, 2009**

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Table of Contents**Part I. Financial Information****Item 1. Financial Statements****Vital Images, Inc.****Condensed Consolidated Balance Sheets****(In thousands, except per share amounts)
(Unaudited)**

	September 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 118,311	\$ 109,706
Marketable securities	6,683	37,287
Accounts receivable, net	12,552	13,047
Deferred income taxes		654
Prepaid expenses and other current assets	2,134	2,179
Total current assets	139,680	162,873
Marketable securities	15,278	
Property and equipment, net	6,168	11,519
Deferred income taxes		13,904
Other intangible assets, net	472	808
Goodwill	9,089	9,089
Total assets	\$ 170,687	\$ 198,193
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,710	\$ 3,792
Accrued compensation	2,741	2,936
Accrued royalties	621	1,057
Other current liabilities	2,095	1,947
Deferred revenue	14,972	17,724
Total current liabilities	23,139	27,456
Deferred revenue	862	1,164
Deferred rent	572	882
Total liabilities	24,573	29,502
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock: \$0.01 par value; 5,000 shares authorized; none issued or outstanding		
Common stock: \$0.01 par value; 40,000 shares authorized; 14,291 issued and outstanding as of September 30, 2009; and 14,673 shares issued and outstanding as of December 31, 2008		
	143	147
Additional paid-in capital	166,806	168,738
Accumulated deficit	(21,002)	(380)

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Accumulated other comprehensive income	167	186
Total stockholders' equity	146,114	168,691
Total liabilities and stockholders' equity	\$ 170,687	\$ 198,193

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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Vital Images, Inc.

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue:				
License fees	\$ 5,624	\$ 9,114	\$ 16,183	\$ 26,178
Maintenance and services	8,274	8,157	25,206	23,502
Hardware	402	408	1,074	1,023
Total revenue	14,300	17,679	42,463	50,703
Cost of revenue:				
License fees	749	1,181	2,277	3,345
Maintenance and services	2,351	2,561	6,996	7,612
Hardware	364	318	997	624
Total cost of revenue	3,464	4,060	10,270	11,581
Gross profit	10,836	13,619	32,193	39,122
Operating expenses:				
Sales and marketing	5,200	6,298	16,127	21,207
Research and development	4,245	5,422	12,200	15,738
General and administrative	2,405	3,348	7,645	9,935
Asset impairment (Note 4)			3,147	
Total operating expenses	11,850	15,068	39,119	46,880
Operating loss	(1,014)	(1,449)	(6,926)	(7,758)
Interest income	200	1,012	960	3,856
Loss before income taxes	(814)	(437)	(5,966)	(3,902)
Provision (benefit) for income taxes	(64)	(194)	14,656	(1,488)
Net loss	\$ (750)	\$ (243)	\$ (20,622)	\$ (2,414)
Net loss per share basic and diluted	\$ (0.05)	\$ (0.02)	\$ (1.44)	\$ (0.15)
Weighted average common shares outstanding - basic and diluted	14,204	15,711	14,336	16,535

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents**Vital Images, Inc.****Condensed Consolidated Statements of Cash Flows****(In thousands)
(Unaudited)**

	For the Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (20,622)	\$ (2,414)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	3,747	3,679
Amortization of identified intangibles	336	783
Loss on disposal of assets	112	
Asset impairment (Note 4)	3,147	
Provision for doubtful accounts	141	391
Deferred income taxes	14,664	(1,488)
Excess tax benefit from stock transactions		(317)
Amortization of discount and accretion of premium on marketable securities	241	(538)
Employee stock-based compensation	2,926	3,864
Amortization of deferred rent	(296)	(280)
Changes in operating assets and liabilities:		
Accounts receivable	354	1,168
Prepaid expenses and other assets	45	(282)
Accounts payable	(793)	349
Accrued expenses and other liabilities	(596)	584
Deferred revenue	(3,054)	835
Net cash provided by operating activities	352	6,334
Cash flows from investing activities:		
Purchases of property and equipment	(1,944)	(3,994)
Purchases of marketable securities	(21,749)	(76,313)
Proceeds from maturities of marketable securities	36,709	48,857
Proceeds from sale of marketable securities		1,581
Net cash provided by (used in) investing activities	13,016	(29,869)
Cash flows from financing activities:		