

ANGEION CORP/MN
Form 10-Q
June 12, 2009
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 April 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 001-13543

ANGEION CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction of
incorporation or organization)

41-1579150
(IRS Employer
Identification No.)

350 Oak Grove Parkway, Saint Paul, Minnesota 55127-8599
(Address of principal executive offices)

Registrant's telephone number, including area code: **(651) 484-4874**

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

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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 definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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 shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 1, 2009, the Company had outstanding 4,120,411 shares of Common Stock, \$0.10 par value.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	3
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	18
<u>Item 4T.</u>	<u>Controls and Procedures</u>	18

PART II OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	19
<u>Item 1A.</u>	<u>Risk Factors</u>	19
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	19
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	19
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	19
<u>Item 5.</u>	<u>Other Information</u>	20
<u>Item 6.</u>	<u>Exhibits</u>	20

<u>SIGNATURES</u>	21
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

ANGEION CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
April 30, 2009 and October 31, 2008
(in thousands except share and per share data)

	April 30, 2009 (unaudited)	October 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,640	\$ 9,047
Accounts receivable, net of allowance for doubtful accounts of \$176 and \$283, respectively	4,862	5,446
Inventories, net of obsolescence reserve of \$693 and \$597, respectively.	4,909	5,143
Prepaid expenses and other current assets	289	292
Total current assets	19,700	19,928
Property and equipment, net of accumulated depreciation of \$3,115 and \$2,897, respectively	761	937
Intangible assets, net	1,742	2,100
Total Assets	\$ 22,203	\$ 22,965
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 1,382	\$ 1,544
Employee compensation	1,186	1,288
Deferred income	1,489	1,531
Warranty reserve	158	157
Other current liabilities and accrued expenses	397	380
Total current liabilities	4,612	4,900
Long-term liabilities:		
Long-term deferred income	723	789
Total Liabilities	5,335	5,689
Shareholders equity:		
Common stock, \$0.10 par value, authorized 25,000,000 shares, 4,195,078 and 4,166,457 shares issued and 4,120,411 and 4,091,790 shares outstanding in 2009 and 2008, respectively	412	409
Additional paid-in capital	21,392	20,956
Accumulated deficit	(4,936)	(4,089)
Total shareholders equity	16,868	17,276
Total Liabilities and Shareholders Equity	\$ 22,203	\$ 22,965

See accompanying notes to consolidated financial statements.

Table of Contents

ANGEION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited, in thousands except per share amounts)

	Three Months Ended		Six Months Ended	
	2009	April 30, 2008	2009	April 30, 2008
Revenues				
Equipment and supply sales	\$ 5,395	\$ 6,405	\$ 10,965	\$ 13,037
Service revenue	812	912	1,673	1,789
	6,207	7,317	12,638	14,826
Cost of revenues				
Cost of equipment and supplies	2,811	3,346	5,859	6,961

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Cost of service revenue	91	135	172	251
	2,902	3,481	6,031	7,212
Gross margin	3,305	3,836	6,607	7,614
Operating expenses:				
Selling and marketing	1,615	2,312	3,413	4,683
General and administrative	998	1,049	2,152	2,367
Research and development	729	708	1,516	1,326
Amortization of intangibles	182	182	364	364
	3,524	4,251	7,445	8,740
Operating loss	(219)	(415)	(838)	(1,126)
Interest income		42	4	105
Loss before taxes	(219)	(373)	(834)	(1,021)
Provision for taxes	6		13	27
Net loss	\$ (225)	\$ (373)	\$ (847)	\$ (1,048)
Loss per share - basic				
Net loss per share	\$ (0.05)	\$ (0.09)	\$ (0.21)	\$ (0.26)
Loss per share - diluted				
Net loss per share	\$ (0.05)	\$ (0.09)	\$ (0.21)	\$ (0.26)
Weighted average common shares outstanding				
Basic	4,120	4,090	4,110	4,089
Diluted	4,120	4,090	4,110	4,089

See accompanying notes to consolidated financial statements.

4

[Table of Contents](#)

ANGEION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Six Months Ended April 30,	
	2009	2008
Cash Flows From Operating Activities:		
Net loss	\$ (847)	\$ (1,048)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	582	611
Stock-based compensation	365	217
Increase in inventory obsolescence reserve	96	37
Decrease in allowance for doubtful accounts	(107)	(1)
Changes in operating assets and liabilities:		
Accounts receivable	691	2,135
Inventories	138	(857)
Prepaid expenses and other current assets	3	67
Accounts payable	(162)	(460)
Employee compensation	(102)	(415)
Deferred income	(108)	59
Warranty reserve	1	(65)
Other current liabilities and accrued expenses	17	3
Net cash provided by operating activities	567	283

Cash Flows From Investing Activities:

Purchase of property and equipment and intangible assets	(48)	(113)
Net cash used in investing activities	(48)	(113)
Cash Flows From Financing Activities:		
Proceeds from issuance of common stock under employee stock purchase plan	11	11
Proceeds from the exercise of stock options	63	
Net cash provided by financing activities	74	11
Net increase in cash and cash equivalents	593	181
Cash and cash equivalents at beginning of period	9,047	6,908
Cash and cash equivalents at end of period	\$ 9,640	\$ 7,089

See accompanying notes to consolidated financial statements.

Table of Contents

ANGEION CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Description of Business

Angeion Corporation (the Company), through its Medical Graphics Corporation subsidiary, designs and markets non-invasive cardiorespiratory diagnostic systems that are sold under the MedGraphics and New Leaf brand and trade names. These cardiorespiratory diagnostic systems have a wide range of applications in healthcare, wellness, and health and fitness.

The consolidated balance sheet as of April 30, 2009, the consolidated statements of operations for the three and six months ended April 30, 2009 and 2008, and cash flows for the six months ended April 30, 2009 and 2008, and the related information presented in these notes have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, without audit. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of results have been included. The consolidated balance sheet at October 31, 2008 was derived from the audited consolidated financial statements as of that date. Operating results for the three and six months ended April 30, 2009 are not necessarily indicative of the results that may be expected for the year ending October 31, 2009. For further information, refer to the consolidated financial statements and notes thereto included in Angeion Corporation's Annual Report on Form 10-K for the year ended October 31, 2008.

Comprehensive loss is a measure of all non-owner changes in shareholders' equity and includes items such as net loss, certain foreign currency translation items, minimum pension liability adjustments and changes in the value of available-for-sale securities. For the three and six months ended April 30, 2009 and 2008, comprehensive loss for Angeion Corporation was equivalent to net loss as reported.

Preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities made in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Estimates include accounts receivable, product warranty and inventory reserves, and depreciable lives of property, equipment and intangible assets.

2. Revenue Recognition

In accordance with the SEC's Staff Accounting Bulletin No. 104, *Revenue Recognition*, the Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectability is reasonably assured. The Company's products are sold for cash or on unsecured credit terms requiring payment based on the shipment date. Credit terms can vary between customers due to many factors, but are generally 30-60 days. Revenue, net of discounts, is recognized upon shipment or delivery to customers in accordance with written sales terms. Standard sales terms do not include customer acceptance conditions, future credits, rebates, price protection or general rights of return. The terms of sales to both domestic customers and international distributors are identical. In instances when a customer order specifies final acceptance of the system, revenue is deferred until all customer acceptance criteria have been met. Estimated warranty obligations are recorded upon shipment.

Table of Contents

Service contract revenue is based on a stated contractual rate and is deferred and recognized ratably over the service period, which is typically from one to four years. In accordance with paragraph 4 of the Emerging Issues Task Force abstract 00-21, *Revenue Arrangements with Multiple Deliverables*, the Company applies Financial Accounting Standards Board (FASB) Technical Bulletin No. 90-1 to service contract revenue. Deferred income associated with service contracts and supplies was \$2,044,000 and \$2,005,000 at April 30, 2009 and October 31, 2008, respectively. Revenue from installation and training services provided to customers is deferred until the service has been performed. The amount of deferred installation and training revenue was \$129,000 and \$223,000 at April 30, 2009 and October 31, 2008, respectively.

When a sale involves multiple deliverables, such as equipment, installation services and training, the amount of the consideration from an arrangement is allocated to each respective element based on the residual method and recognized as revenue when revenue recognition criteria for each element is met. Consideration allocated to delivered equipment is equal to the total arrangement consideration less the fair value of installation and training. The fair value of installation and training services is based on specific objective evidence, including third-party invoices.

No customer accounted for more than 10% of revenues for either the three or six months ended April 30, 2009 and 2008.

Advance Payments from Customers

The Company typically does not receive advance payments from its customers in connection with the sale of its products. The Company occasionally enters into an arrangement under which a customer agrees to purchase a large quantity of product that is to be delivered over a period of time. Depending on the size of these arrangements, the Company may negotiate an advance payment from these customers. Advance payments from customers aggregating \$39,000 and \$92,000 as of April 30, 2009 and October 31, 2008, respectively, are included in deferred income on the consolidated balance sheets. Revenue recognition for customer orders that include advance payments is consistent with the Company's revenue recognition policy described above.

3. New Accounting Pronouncement

During May 2009, the FASB issued Statements of Financial Standards No. 165 (SFAS No. 165), *Subsequent Events*. SFAS No. 165 requires all public entities to evaluate subsequent events through the date that the financial statements are available to be issued and disclose in the notes the date through which the Company has evaluated subsequent events and whether the financial statements were issued or were available to be issued on the disclosed date. SFAS No. 165 defines two types of subsequent events, as follows: the first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet and the second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009 and must be applied prospectively.

4. Stock-Based Compensation and Stock Options

Effective November 1, 2006, the Company adopted the provisions of FASB Statement No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R). Under the fair value recognition provisions of SFAS No. 123R, the Company measures stock-based compensation cost at the grant date based on the fair value of the award and recognizes the compensation expense over the requisite service period, which is generally the vesting period. Total stock-based compensation expense included in the Company's statement of operations for the three and six months ended April 30, 2009 was \$183,000 and \$365,000, respectively, compared to \$106,000 and \$217,000 for the three and six months ended April 30, 2008, respectively.

Table of Contents

Stock Options

A summary of our option activity for the six-month period ended April 30, 2009 and 2008 follows:

	April 30, 2009	For the six months ended	April 30, 2008
Shares			Shares

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			Weighted Average Exercise Price			Weighted Average Exercise Price
Outstanding at beginning of year	730,953	\$	5.96	611,120	\$	6.12
Granted				12,000		7.20
Exercised	(25,000)		2.53			
Expired or cancelled				(24,500)		7.81
Outstanding at end of period	705,953	\$	6.08	598,620	\$	6.07

On June 3, 2009, the stockholders of the Company approved an amendment to the Angeion Corporation 2007 Stock Incentive Plan (the Plan) to increase by 100,000 the shares authorized for issuance under the Plan. The total shares authorized for issuance under the Plan is now increased to 650,000.

The following table summarizes information concerning stock options outstanding as of April 30, 2009:

**Exercise
Prices**