

LEMAITRE VASCULAR INC

Form 10-Q

November 07, 2013

[Table of Contents](#)

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, 2013

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 001-33092

LEMAITRE VASCULAR, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-2825458
(I.R.S. Employer
Identification No.)

63 Second Avenue, Burlington, Massachusetts
(Address of principal executive offices)
(781) 221-2266

01803
(Zip Code)

(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.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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

The registrant had 15,416,169 shares of common stock, \$.01 par value per share, outstanding as of October 31, 2013.

Table of Contents

LEMAITRE VASCULAR

FORM 10-Q

TABLE OF CONTENTS

	Page
Part I. <u>Financial Information:</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets as of September 30, 2013 (unaudited) and December 31, 2012</u>	3
<u>Unaudited Consolidated Statements of Operations for the three-month and nine-month periods ended September 30, 2013 and 2012</u>	4
<u>Unaudited Consolidated Statements of Comprehensive Income for the three-month and nine-month periods ended September, 2013 and 2012</u>	5
<u>Unaudited Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2013 and 2012</u>	6
<u>Notes to Unaudited Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosure about Market Risk</u>	28
Item 4. <u>Controls and Procedures</u>	28
Part II. <u>Other Information:</u>	
Item 1. <u>Legal Proceedings</u>	29
Item 1A. <u>Risk Factors</u>	29
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 6. <u>Exhibits</u>	30
<u>Signatures</u>	31
<u>Index to Exhibits</u>	

Table of Contents**Part I. Financial Information****Item 1. Financial Statements****LeMaitre Vascular, Inc.****Consolidated Balance Sheets**

	(unaudited)	
	September 30,	December 31,
	2013	2012
	(in thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,626	\$ 16,448
Accounts receivable, net of allowances of \$253 at September 30, 2013 and \$326 at December 31, 2012	9,273	9,048
Inventories	13,082	10,859
Prepaid expenses and other current assets	3,057	2,776
Total current assets	39,038	39,131
Property and equipment, net	5,984	4,544
Goodwill	15,031	13,749
Other intangibles, net	6,127	5,191
Deferred tax assets	258	273
Other assets	158	172
Total assets	\$ 66,596	\$ 63,060
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 748	\$ 1,060
Accrued expenses	7,409	6,777
Acquisition-related obligations	1,131	557
Total current liabilities	9,288	8,394
Deferred tax liabilities	1,673	1,673
Other long-term liabilities	243	105
Total liabilities	11,204	10,172
Stockholders equity:		
Preferred stock, \$0.01 par value; authorized 3,000,000 shares; none outstanding	168	165

Edgar Filing: LEMAITRE VASCULAR INC - Form 10-Q

Common stock, \$0.01 par value; authorized 37,000,000 shares; issued 16,794,467 shares at September 30, 2013, and 16,539,621 shares at December 31, 2012		
Additional paid-in capital	64,983	64,694
Accumulated deficit	(1,413)	(3,869)
Accumulated other comprehensive loss	(343)	(433)
Treasury stock, at cost; 1,375,155 shares at September 30, 2013, and 1,323,537 shares at December 31, 2012	(8,003)	(7,669)
Total stockholders' equity	55,392	52,888
Total liabilities and stockholders' equity	\$ 66,596	\$ 63,060

See accompanying notes to consolidated financial statements.

Table of Contents

LeMaitre Vascular, Inc.

Consolidated Statements of Operations

(unaudited)

For the three months ended **For the nine months ended**
September 30, **September 30,**
2013 **2012** **2013** **2012**
(in thousands, except per share data)

Net sales	\$ 15,300	\$ 13,645	\$ 46,633	\$ 41,934
Cost of sales	4,584	3,630	13,474	11,504
Gross profit	10,716	10,015	33,159	30,430
Sales and marketing	5,205	4,911	16,278	15,310
General and administrative	3,282	2,892	9,231	8,277
Research and development	1,300	1,261	3,841	3,531
(Gain) loss on divestitures		(50)		2
Medical device excise tax	153		463	
Total operating expenses	9,940	9,014	29,813	27,120
Income from operations	776	1,001	3,346	3,310
Other income (expense):				
Interest income	1	47	4	68
Interest expense	(6)		(18)	
Foreign currency loss	14	7	(102)	(240)
Income before income taxes	785	1,055	3,230	3,138
Provision for income taxes	64	392	774	1,265
Net income	\$ 721	\$ 663	\$ 2,456	\$ 1,873
Earnings per share of common stock:				
Basic	\$ 0.05	\$ 0.04	\$ 0.16	\$ 0.12
Diluted	\$ 0.05	\$ 0.04	\$ 0.16	\$ 0.12
Weighted-average shares outstanding:				
Basic	15,339	15,130	15,262	15,208

Diluted	15,780	15,605	15,707	15,654
Cash dividends declared per common share	\$ 0.030	\$ 0.025	\$ 0.090	\$ 0.075

See accompanying notes to consolidated financial statements.

Table of Contents

LeMaitre Vascular, Inc.
Consolidated Statements of Comprehensive Income
(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013		2013	
	2012		2012	
	(in thousands)			
Net income	\$ 721	\$ 663	\$ 2,456	\$ 1,873
Other comprehensive income:				
Foreign currency translation adjustment, net	310	118	90	106
Total other comprehensive income	310	118	90	106
Comprehensive income	\$ 1,031	\$ 781	\$ 2,546	\$ 1,979

See accompanying notes to consolidated financial statements.

Table of Contents**LeMaitre Vascular, Inc.****Consolidated Statements of Cash Flows****(unaudited)**

	For the nine months ended September 30,	
	2013	2012
	(in thousands)	
Operating activities		
Net income	\$ 2,456	\$ 1,873
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,974	1,633
Stock-based compensation	967	936
Provision for losses in accounts receivable	(51)	140
Provision for inventory write-downs	415	947
Loss on divestitures		2
Loss on disposal of property and equipment	37	
Provision for deferred income taxes	13	
Foreign currency transaction loss	83	286
Changes in operating assets and liabilities:		
Accounts receivable	63	(101)
Inventory	(1,943)	(3,078)
Prepaid expenses and other assets	(255)	63
Accounts payable and other liabilities	273	1,594
Net cash provided by operating activities	4,032	4,295
Investing activities		
Purchases of property and equipment	(2,438)	(788)
Payments related to acquisitions	(3,291)	(19)
Receipts related to divestitures		250
Purchase of intellectual property	(141)	(110)
Net cash used in investing activities	(5,870)	(667)
Financing activities		
Proceeds from issuance of common stock	699	29
Purchase of treasury stock	(334)	(1,985)
Common stock cash dividend paid	(1,374)	(1,140)
Net cash used in financing activities	(1,009)	(3,096)
Effect of exchange rate changes on cash and cash equivalents	25	(25)
Net increase (decrease) in cash and cash equivalents	(2,822)	507
Cash and cash equivalents at beginning of period	16,448	20,132

Cash and cash equivalents at end of period	\$ 13,626	\$ 20,639
--	-----------	-----------

Supplemental disclosures of cash flow information (see Note 12)

See accompanying notes to consolidated financial statements.

Table of Contents

LeMaitre Vascular, Inc.

Notes to Consolidated Financial Statements

September 30, 2013

(unaudited)

1. Organization and Basis for Presentation

Description of Business

Unless the context requires otherwise, references to LeMaitre Vascular, we, our, and us refer to LeMaitre Vascular, Inc. and our subsidiaries. We develop, manufacture, and market medical devices and implants used primarily in the field of vascular surgery. We operate in a single segment in which our principal product lines are balloon catheters, biologic vascular patches, carotid shunts, laparoscopic cholecystectomy devices, radiopaque tape, remote endarterectomy devices, valvulotomes, vascular grafts, vascular patches, vein removal systems, and vessel closure systems. Our offices are located in Burlington, Massachusetts; Mississauga, Canada; Sulzbach, Germany; Milan, Italy; Madrid, Spain; and Tokyo, Japan.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal, recurring adjustments considered necessary for a fair presentation of the results of these interim periods have been included. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Our estimates and assumptions, including those related to bad debts, inventories, intangible assets, sales returns and discounts, share-based compensation, and income taxes are updated as appropriate. The results for the nine months ended September 30, 2013 are not necessarily indicative of results to be expected for the entire year. The information contained in these interim financial statements should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2012, including the notes thereto, included in our Form 10-K filed with the Securities and Exchange Commission (SEC).

Consolidation

Our consolidated financial statements include the accounts of LeMaitre Vascular and the accounts of our wholly-owned subsidiaries, LeMaitre Vascular GmbH, LeMaitre Vascular GK, Vascutech Acquisition LLC, LeMaitre Acquisition LLC, LeMaitre Vascular SAS, LeMaitre Vascular S.r.l., LeMaitre Vascular Spain SL, LeMaitre Vascular Switzerland GmbH, and LeMaitre Vascular ULC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Correction of an Error

During the second quarter of 2013, we identified an error in our historic inventory valuation that resulted in an understatement of the periodic carrying amount of our inventory. We corrected this error in the second quarter of 2013. As a result of the error, inventory was understated as of December 31, 2011 and 2012 by \$0.2 million and \$0.4 million, respectively, and cost of sales was overstated by \$0.2 million in each of those years. Our financial statements for the nine months ended September 30, 2013 reflect the correction of this error, which resulted in an understatement of cost of sales of \$0.4 million and an overstatement of net income of \$0.3 million in the nine months ended September 30, 2013. We evaluated the materiality of the error from a qualitative and quantitative perspective and concluded the error was not material to our consolidated financial statements for the years ended December 31, 2011 and 2012, as well as the expected results for the year ending December 31, 2013.

Table of Contents

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued new guidance which requires disclosure of changes in accumulated other comprehensive income balances by component and significant reclassification adjustments from accumulated other comprehensive income in a single note or on the face of the financial statements. This guidance became effective January 1, 2013. The adoption of this standard, which is related to disclosure only, did not have an impact on our results of operations or financial position.

2. Income Tax Expense

As part of the process of preparing our consolidated financial statements we are required to determine our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing temporary differences resulting from recognition of items for income tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from taxable income during the carryback period or in the future; and to the extent we believe that