

CRYOLIFE INC
Form 10-Q
October 27, 2011

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, 2011**

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: 1-13165

CRYOLIFE, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

59-2417093
(I.R.S. Employer
Identification No.)

1655 Roberts Boulevard, NW, Kennesaw, Georgia
(Address of principal executive offices)

30144
(Zip Code)

(770) 419-3355

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 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.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, \$0.01 par value per share

Outstanding at October 21, 2011
28,138,775 shares

Part I FINANCIAL INFORMATION**Item 1. Financial Statements.****CRYOLIFE, INC. AND SUBSIDIARIES****SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS****(IN THOUSANDS, EXCEPT PER SHARE DATA)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Revenues:				
Preservation services	\$ 14,656	\$ 15,111	\$ 45,018	\$ 45,699
Products	14,923	13,175	43,932	41,276
Other	75	157	279	448
Total revenues	29,654	28,443	89,229	87,423
Cost of preservation services and products:				
Preservation services	8,349	8,911	25,709	27,322
Products	2,393	4,310	7,051	9,318
Total cost of preservation services and products	10,742	13,221	32,760	36,640
Gross margin	18,912	15,222	56,469	50,783
Operating expenses:				
General, administrative, and marketing	14,726	11,376	42,676	36,863
Research and development	1,690	1,590	5,099	4,122
Acquired in-process research and development	--	3,513	--	3,513
Total operating expenses	16,416	16,479	47,775	44,498
Operating income (loss)	2,496	(1,257)	8,694	6,285
Interest expense	49	29	116	145
Interest income	(1)	(6)	(13)	(16)
Gain on valuation of derivative	--	(143)	--	(1,345)
Other than temporary investment impairment	--	3,638	--	3,638
Other expense (income), net	159	(187)	(12)	44
Income (loss) before income taxes	2,289	(4,588)	8,603	3,819
Income tax expense (benefit)	270	(1,557)	3,098	1,990

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Net income (loss)	\$ 2,019	\$ (3,031)	\$ 5,505	\$ 1,829
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Income (loss) per common share:

Basic	\$ 0.07	\$ (0.11)	\$ 0.20	\$ 0.07
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Diluted	\$ 0.07	\$ (0.11)	\$ 0.20	\$ 0.06
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Weighted-average common shares outstanding:

Basic	27,523	27,783	27,431	28,086
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Diluted	27,850	27,783	27,765	28,356
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See accompanying Notes to Summary Consolidated Financial Statements.

CRYOLIFE, INC. AND SUBSIDIARIES

SUMMARY CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	September 30, 2011	December 31, 2010
(Unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,050	\$ 35,497
Restricted securities	5,313	5,309
Receivables, net	15,308	14,313
Deferred preservation costs	29,454	31,570
Inventories	6,995	6,429
Deferred income taxes	7,436	6,096
Prepaid expenses and other current assets	3,298	2,276
Total current assets	88,854	101,490
Property and equipment, net	12,634	13,086
Investment in equity securities	6,248	2,594
Goodwill	4,597	--
Patents, net	2,973	3,282
Trademarks and other intangibles, net	17,951	5,601
Deferred income taxes	12,390	9,182
Other long-term assets	2,352	2,203
Total assets	\$ 147,999	\$ 137,438
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 5,021	\$ 4,243
Accrued compensation	3,254	3,357
Accrued procurement fees	3,906	3,081
Accrued expenses and other current liabilities	8,041	6,552
Deferred income	2,056	2,095
Total current liabilities	22,278	19,328
Other long-term liabilities	4,943	4,168
Total liabilities	27,221	23,496
Commitments and contingencies		
Shareholders equity:		
Preferred stock	--	--
Common stock (issued shares of 30,088 in 2011 and 29,950 in 2010)	301	300
Additional paid-in capital	134,692	133,845

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Retained deficit	(2,903)	(8,408)
Accumulated other comprehensive loss	(27)	(32)
Treasury stock at cost (shares of 1,949 in 2011 and 2,049 in 2010)	(11,285)	(11,763)
Total shareholders equity	120,778	113,942
Total liabilities and shareholders equity	\$ 147,999	\$ 137,438

See accompanying Notes to Summary Consolidated Financial Statements.

CRYOLIFE, INC. AND SUBSIDIARIES

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Nine Months Ended September 30,	
	2011	2010
	(Unaudited)	
Net cash from operating activities:		
Net income	\$ 5,505	\$ 1,829
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	3,557	2,908
Deferred income taxes	41	(801)
Other than temporary investment impairment	--	3,638
Non-cash compensation	2,140	1,938
Acquired in-process research and development expense	--	3,513
Write-down of deferred preservation costs and inventories	270	1,965
Gain on valuation of derivative	--	(1,345)
Other non-cash adjustments to income	217	170
Changes in operating assets and liabilities:		
Receivables	1	(738)
Deferred preservation costs and inventories	2,300	2,495
Prepaid expenses and other assets	(968)	(2,108)
Accounts payable, accrued expenses, and other liabilities	644	358
Net cash flows provided by operating activities	13,707	13,822
Net cash from investing activities:		
Acquisition of Cardiogenesis, net of cash acquired	(21,062)	--
Acquisition of PerClot intangible assets	--	(5,392)
Capital expenditures	(1,993)	(1,475)
Purchases of restricted securities and investments	(3,569)	(2,705)
Other	(506)	(369)
Net cash flows used in investing activities		