ABIOMED INC
Form 10-Q
August 07, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 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 0-20584

ABIOMED, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**04-2743260**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

22 CHERRY HILL DRIVE

DANVERS, MASSACHUSETTS 01923

(Address of principal executive offices, including zip code)

(978) 646-1400

(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 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. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	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 x

As of August 3, 2009, there were 37,351,729 shares outstanding of the registrant s Common Stock, $.01 par value.

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ABIOMED, INC. AND SUBSIDIARIES

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ABIOMED and ABIOCOR are trademarks of ABIOMED, Inc., and are registered in the United States and certain foreign countries. BVS is a trademark of ABIOMED, Inc. and is registered in the United States. AB5000 is a trademark of ABIOMED, Inc. IMPELLA and RECOVER are trademarks of Abiomed Europe GmbH, a subsidiary of ABIOMED, Inc., and are registered in the United States and certain foreign countries.

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PART 1. FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

ABIOMED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2009 (unaudited)	March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,971	$ 1,785
Short-term marketable securities	50,417	55,394
Accounts receivable, net	14,476	15,724
Inventories	14,724	14,777
Prepaid expenses and other current assets	983	809
Total current assets	82,571	88,489
Property and equipment, net	7,679	7,792
Intangible assets, net	4,222	4,359
Goodwill	38,808	31,295
Long-term marketable securities	2,080	3,721
Other assets	302	302
Total assets	$ 135,662	$ 135,958
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 4,916	$ 5,550
Accrued expenses	10,112	10,818
Deferred revenue	1,206	1,211
Total current liabilities	16,234	17,579
Long-term deferred tax liability	2,312	2,086
Other long-term liabilities	361	310
Total liabilities	18,907	19,975
Commitments and contingencies (Note 11)		
Stockholders equity:		
Class B Preferred Stock, $.01 par value		
Authorized 1,000,000 shares; Issued and outstanding none		
Common stock, $.01 par value	374	367
Authorized 100,000,000 shares; Issued 37,402,683 shares at June 30, 2009 and 36,736,843 shares at March 31, 2009;		
Outstanding 37,351,729 shares at June 30, 2009 and 36,685,889 shares at March 31, 2009		
Additional paid-in-capital	367,711	362,097
Accumulated deficit	(251,751)	(243,991)
Treasury stock at cost 50,954 at June 30, 2009 and March 31, 2009	(827)	(827)

Accumulated other comprehensive income (loss)	1,248	(1,663)
Total stockholders equity	116,755	115,983
Total liabilities and stockholders equity	$ 135,662	$ 135,958

See Accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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ABIOMED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008
Revenue:		
Products	$ 19,588	$ 16,270
Funded research and development	325	87
	19,913	16,357
Costs and expenses:		
Cost of product revenue excluding amortization of intangibles	5,072	5,627
Research and development	5,983	6,144
Selling, general and administrative	15,967	13,514
Amortization of intangible assets	354	426
	27,376	25,711
Loss from operations	(7,463)	(9,354)
Other income:		
Investment income, net	44	244
Other (expense) income, net	(115)	141
	(71)	385
Loss before provision for income taxes	(7,534)	(8,969)
Provision for income taxes	226	145
Net loss	$ (7,760)	$ (9,114)
Basic and diluted net loss per share	$ (0.21)	$ (0.28)
Weighted average shares outstanding	36,549	32,845

See Accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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ABIOMED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Three months ended June 30, 2009	Three months ended June 30, 2008
Operating activities:		
Net loss	$ (7,760)	$ (9,114)
Adjustments required to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,445	1,414
Bad debt (recovery) expense	(26)	42
Stock-based compensation	1,700	1,716
Write-down of inventory	566	677
Loss on disposal of fixed assets		25
Deferred tax provision	226	145
Arbitration decision		
Change in unrealized loss on marketable securities	(181)	(197)
Changes in assets and liabilities source (use):		
Accounts receivable	1,417	138
Inventories	(654)	(3,241)
Prepaid expenses and other current assets	(152)	124
Accounts payable	(322)	(1,846)
Accrued expenses	(902)	(1,698)
Deferred revenue	(19)	(90)
Net cash used for operating activities	(4,662)	(11,905)
Investing activities:		
Purchases of short-term marketable securities	(362)	(5,632)
Proceeds from the sale and maturity of short-term marketable securities	7,440	15,285
Contingent milestone payment on acquisition	(1,756)	
Expenditures for property and equipment	(682)	(644)
Net cash provided by investing activities	4,640	9,009
Financing activities:		
Proceeds from the exercise of stock options	92	2,436
Net cash provided by financing activities	92	2,436
Effect of exchange rate changes on cash	116	45
Net increase (decrease) in cash and cash equivalents	186	(415)
Cash and cash equivalents at beginning of period	1,785	2,042
Cash and cash equivalents at end of period	$ 1,971	$ 1,627
Supplemental disclosures:		
Common shares issued for business acquisition	$ 3,827	$ 5,574
Fixed asset additions included in accounts payable	81	155
Reclassification of short-term marketable securities to restricted securities		22,739

See Accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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ABIOMED, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(In thousands, except share data)

1. Nature of Business and Basis of Preparation

Abiomed, Inc. (the Company or Abiomed) is a leading provider of medical devices in circulatory support that offers a continuum of care in heart recovery to acute heart failure patients. The Company s strategy is focused on establishing heart recovery as the goal for all acute cardiac attacks. The Company s products are designed to enable the heart to rest, heal and recover by improving blood flow and/or performing the pumping function of the heart. The products can be used in a broad range of clinical settings, including by cardiologists for patients who are in pre-shock or in need of prophylactic support in the cardiac catheterization lab, or cath lab, and by heart surgeons for patients in profound shock. Abiomed is focused on increasing awareness of heart recovery and establishing it as the goal for all acute patients experiencing cardiac attacks, or heart attacks, with failing but potentially recoverable hearts. The Company expects that recovery awareness and utilization of its products will significantly increase the number of patients able to return home from the hospital with their own hearts.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting and in accordance with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by GAAP for complete financial statements. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2009 that has been filed with the Securities Exchange Commission, or SEC.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of results for the interim periods presented. The results of operations for any interim period may not be indicative of results for the full fiscal year.

2. Significant Accounting Policies

Goodwill and Intangible Assets

The Company assesses the realizability of goodwill annually, at October 31, as well as whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. These events or circumstances generally include operating losses or a significant decline in earnings associated with the acquired business or asset. The Company s ability to realize the value of the goodwill will depend on the future cash flows of the business. If the Company is not able to realize the value of goodwill, the Company may be required to incur material charges relating to the impairment of those assets. The Company completed its annual review of goodwill as of October 31, 2008 and determined that no write-down for impairment was necessary. The Company updated its impairment review as of March 31, 2009 and determined that its goodwill was not impaired.

Revenue Recognition

The Company recognizes revenue when evidence of an arrangement exists, title has passed (generally upon shipment) or services have been rendered, the selling price is fixed or determinable and collectibility is reasonably assured. The Company follows the guidance of Emerging Issues Task Force (EITF) No. 00-21*, Revenue Arrangements with Multiple Deliverables* when transactions include multiple elements. Revenue from product sales to new customers is deferred until training on the use of the products has occurred. All costs related to product shipment are recognized at time of shipment. The Company does not provide for rights of return to customers on product sales.

Maintenance and service support contract revenues are recognized ratably over the term of the service contracts based upon the elapsed term of the service contract. In limited instances, the Company rents console medical devices on a month-to-month basis or for a longer specified period of time to customers for which revenue is recognized as earned.

Government-sponsored research and development contracts and grants generally provide for payment on a cost-plus-fixed-fee basis. Revenues from these contracts and grants are recognized as work is performed, provided the government has appropriated sufficient funds for the work. Under contracts in which the Company elects to spend significantly more on the development project during the term of the contract than the total contract amount, the Company prospectively recognizes revenue on such contracts ratably over the term of the contract as related research and development costs are incurred.

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New Accounting Pronouncements

SFAS No. 141(R) In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations.* SFAS No. 141(R) applies to any transaction or other event that meets the definition of a business combination. Where applicable, SFAS No. 141(R) establishes principles and requirements for how the acquirer recognizes and measures identifiable assets acquired, liabilities assumed, noncontrolling interest in the acquiree and goodwill or gain from a bargain purchase. In addition, SFAS No. 141(R) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is to be applied prospectively for transactions occurring in fiscal years beginning after December 15, 2008. SFAS 141(R) will impact the Company s accounting for business combinations, if any, completed beginning April 1, 2009, as well as the subsequent recognition of acquired deferred tax benefits of previous acquisitions.

SFAS No. 160 In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements,* an amendment of ARB No. 51. SFAS No. 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of the consolidation procedures under ARB No. 51 for consistency with the requirements of FASB Statement No. 141(R). This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The statement shall be applied prospectively as of the beginning of the fiscal year in which the statement is initially adopted. The Company adopted SFAS No. 160 for applicable transactions closing after March 31, 2009, and adoption did not have a material effect on its financial position or results of operations.

EITF 08-06 In November 2008, the EITF reached a final consensus on Issue No. 08-06 (EITF No. 08-06), *Equity Method Investment Accounting Considerations*, effective on a prospective basis for fiscal years beginning on or after December 15, 2008. The Company adopted EITF 08-06 effective April 1, 2009 and adoption did not have a material impact on its financial position or results of operations.

SFAS No. 165 Effective June 30, 2009, the Company implemented SFAS No. 165, *Subsequent Events*. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The standard is based on the same principles as those that currently exist in the auditing standards. The adoption of SFAS 165 did not impact the Company s financial position or results of operations. The Company evaluated all events or transactions that occurred after June 30, 2009 up through August 6, 2009, the date these financial statements were issued. During this period the Company did not have any material subsequent events.

FSP FAS 107-1 and APB 28-1 Effective June 30, 2009, the Company implemented FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. FSP FAS 107-1 and APB 28-1, amends SFAS 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in all interim financial statements. This standard is effective for periods ending after June 15, 2009. The adoption of FSP FAS 107-1 and APB 28-1 did not have any impact on the Company s financial position or results of operations but has resulted in additional disclosure of the fair values attributable to the Company s marketable securities in the consolidated financial statements.

FSP FAS 115-2 and FAS 124-2 Effective June 30, 2009, the Company adopted FASB Staff Position FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, which provide additional guidance to provide greater clarity about the credit and noncredit component of an other-than-temporary impairment event and to more effectively communicate when an other-than-temporary impairment event has occurred. This FSP applies to investments in debt securities. This standard is effective for periods ending after June 15, 2009. The adoption of FSP FAS 115-2 and FAS 124-2 did not have a material effect on the Company s financial position or results of operations. The Company will continue to evaluate the impact on financial statements at each interim reporting period.

FSP FAS 157-4 Effective June 30, 2009, the Company implemented FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. FSP 157-4 provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This standard is effective for periods ending after June 15, 2009. The adoption of FSP FAS 157-4 did not have a material impact on the Company s financial position or results of operations.

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Note 3. Fair Value Measurements

Effective April 1, 2008, the Company implemented SFAS No. 157, *Fair Value Measurement* (SFAS No. 157), for financial assets and liabilities that are re-measured and reported at fair value at each reporting period and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. The adoption of SFAS No. 157 did not have a material impact on financial results.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 includes financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 is comprised of unobservable inputs that are supported by little or no market activity. Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The following table presents information about the Company s assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2009 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Level 1	Level 2	Level 3	Total
		(in $000 s)		
Assets:				
Columbia Strategic Cash Portfolio	$	$	$ 6,374	$ 6,374
U.S. Government Securities	46,117			46,117