

PSYCHEMEDICS CORP
Form 10-Q
October 25, 2018

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, 2018

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: 1-13738

PSYCHEMEDICS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

58-1701987

(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

289 Great Road
Acton, MA 01720
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code: (978) 206-8220

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Accelerated filer
Non-accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

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The number of shares of Common Stock of the Registrant, par value \$0.005 per share, outstanding at October 19, 2018 was 5,507,262.

PSYCHEMEDICS CORPORATION

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2018

INDEX

	Page
PART I - FINANCIAL INFORMATION	
<u>Item 1 - Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income and Comprehensive Income for the Three months and Nine months ended September 30, 2018 and 2017</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine months ended September 30, 2018 and 2017</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Overview</u>	<u>15</u>
<u>Results of Operations</u>	<u>15</u>
<u>Liquidity and Capital Resources</u>	<u>16</u>
<u>Item 3 - Quantitative and Qualitative Disclosures About Market Risk</u>	<u>18</u>
<u>Item 4 - Controls and Procedures</u>	<u>18</u>
PART II - OTHER INFORMATION	
<u>Item 1A - Risk Factors</u>	<u>19</u>
<u>Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>19</u>
<u>Item 6 - Exhibits</u>	<u>19</u>
<u>Signatures</u>	<u>19</u>

PSYCHEMEDICS CORPORATION**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except par value)

(UNAUDITED)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$6,016	\$8,165
Accounts receivable, net of allowance for doubtful accounts of \$71 in 2018 and \$64 in 2017	8,067	4,488
Prepaid expenses and other current assets	1,359	1,212
Total Current Assets	15,442	13,865
Fixed Assets, net of accumulated amortization and depreciation of \$13,712 in 2018 and \$11,670 in 2017	10,644	11,811
Other assets	900	832
Total Assets	\$26,986	\$26,508
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$813	\$398
Accrued expenses	3,908	2,870
Current portion of long-term debt	941	957
Total Current Liabilities	5,662	4,225
Long-term debt	1,719	2,420
Deferred tax liabilities, long-term	1,091	1,243
Total Liabilities	8,472	7,888
Commitments and Contingencies (Note 8)		
Shareholders' Equity:		
Preferred stock, \$0.005 par value, 873 shares authorized, no shares issued or outstanding	--	--
Common stock, \$0.005 par value; 50,000 shares authorized 6,175 shares issued in 2018 and 6,160 shares issued in 2017, 5,507 shares outstanding in 2018 and 5,492 shares outstanding in 2017	31	31
Accumulated other comprehensive loss	(1,584)	(238)
Additional paid-in capital	31,365	31,022

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Accumulated deficit	(1,216)	(2,113)
Less - Treasury stock, at cost, 668 shares	(10,082)	(10,082)
Total Shareholders' Equity	18,514	18,620
Total Liabilities and Shareholders' Equity	\$26,986	\$26,508

See accompanying notes to condensed consolidated financial statements

PSYCHEMEDICS CORPORATION**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME**

(in thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Revenue	\$11,016	\$10,049	\$32,738	\$29,942
Cost of revenue	5,658	4,928	16,853	14,896
Gross profit	5,358	5,121	15,885	15,046
Operating Expenses:				
General & administrative	1,599	1,471	4,907	4,278
Marketing & selling	1,267	1,065	3,807	3,552
Research & development	372	353	1,089	1,005
Total Operating Expenses	3,238	2,889	9,803	8,835
Operating income	2,120	2,232	6,082	6,211
Other income (expense)	(9)	13	47	(22)
Net income before provision for income taxes	2,111	2,245	6,129	6,189
Provision for income taxes	836	881	2,426	2,418
Net income	\$1,275	\$1,364	\$3,703	\$3,771
Other Comprehensive Income (Loss):				
Foreign currency translation	(180)	108	(1,346)	37
Total Comprehensive Income	\$1,095	\$1,472	\$2,357	\$3,808
Basic net income per share	\$0.23	\$0.25	\$0.67	\$0.69
Diluted net income per share	\$0.23	\$0.25	\$0.67	\$0.68
Dividends declared per share	\$0.18	\$0.15	\$0.54	\$0.45

See accompanying notes to condensed consolidated financial statements

4

PSYCHEMEDICS CORPORATION**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(UNAUDITED)

	Nine Months Ended Sept 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$3,703	\$3,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,302	2,089
Deferred income taxes	(152)	49
Stock-based compensation	436	446
Changes in assets and liabilities:		
Accounts receivable	(3,598)	423
Prepaid expenses and other current assets	(147)	(272)
Accounts payable	394	(263)
Accrued expenses	1,069	874
Net cash provided by operating activities	4,007	7,117
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment and leasehold improvements	(775)	(411)
Cost of internally developed software	(268)	(509)
Other assets	(96)	(26)
Net cash used in investing activities	(1,139)	(946)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of stock, net of tax withholding	(93)	(165)
Payments of equipment financing	(717)	(1,911)
Cash dividends paid	(2,806)	(2,464)
Net cash used in financing activities	(3,616)	(4,540)
Effect of exchange rate changes on cash and cash equivalents	(1,401)	35
Net increase (decrease) in cash and cash equivalents	(2,149)	1,666
Cash and cash equivalents, beginning of period	8,165	3,938
Cash and cash equivalents, end of period	\$6,016	\$5,604
Supplemental Disclosures of Cash Flow Information:		
Cash paid for income taxes	\$2,289	\$1,904
Cash paid for interest	\$83	\$53
Purchases of equipment through accounts payable and accrued liabilities	\$65	\$41

See accompanying notes to condensed consolidated financial statements

5

PSYCHEMEDICS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Basis of Presentation

The interim condensed consolidated financial statements of Psychemedics Corporation (the “Company”) presented herein, have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2017, included in the Company's 2017 Annual Report on Form 10-K (&