

ORASURE TECHNOLOGIES INC
Form 10-Q
August 08, 2016
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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 June 30, 2016.

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 001-16537

ORASURE TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of

36-4370966
(IRS Employer

Incorporation or Organization)

Identification No.)

220 East First Street, Bethlehem, Pennsylvania
(Address of Principal Executive Offices)

18015
(Zip code)

(610) 882-1820

(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 Smaller reporting company

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of Common Stock, par value \$.000001 per share, outstanding as of August 3, 2016: 55,600,580 shares.

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	June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 105,701	\$ 94,094
Short-term investments	7,736	7,225
Accounts receivable, net of allowance for doubtful accounts of \$755 and \$798	18,436	19,265
Inventories	11,366	13,242
Prepaid expenses	1,942	1,533
Other current assets	1,194	1,355
Total current assets	146,375	136,714
PROPERTY AND EQUIPMENT, net	20,200	20,083
INTANGIBLE ASSETS, net	12,020	12,591
GOODWILL	19,541	18,250
OTHER ASSETS	1,784	1,683
	\$ 199,920	\$ 189,321
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,956	\$ 5,087
Deferred revenue	13,822	9,735
Accrued expenses	8,293	10,412
Total current liabilities	26,071	25,234
OTHER LIABILITIES	2,018	1,768
DEFERRED INCOME TAXES	3,043	2,883
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.000001, 25,000 shares authorized, none issued		
Common stock, par value \$.000001, 120,000 shares authorized, 55,601 and 55,705 shares issued and outstanding		

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Additional paid-in capital	345,093	345,253
Accumulated other comprehensive loss	(12,409)	(15,639)
Accumulated deficit	(163,896)	(170,178)
Total stockholders' equity	168,788	159,436
	\$ 199,920	\$ 189,321

See accompanying notes to the consolidated financial statements.

Table of Contents**ORASURE TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)****(in thousands, except per share amounts)**

	Three Months Ended June 30		Six Months Ended June 30,	
	2016	2015	2016	2015
NET REVENUES:				
Product	\$ 27,582	\$ 26,313	\$ 52,827	\$ 50,078
Other	3,777	4,075	7,621	7,398
	31,359	30,388	60,448	57,476
COST OF PRODUCTS SOLD	10,274	9,692	19,050	19,782
Gross profit	21,085	20,696	41,398	37,694
OPERATING EXPENSES:				
Research and development	2,985	2,996	5,351	6,436
Sales and marketing	7,397	8,904	16,103	16,788
General and administrative	6,354	6,075	12,896	12,040
	16,736	17,975	34,350	35,264
Operating income	4,349	2,721	7,048	2,430
OTHER INCOME (EXPENSE)	(340)	(95)	(532)	314
Income before income taxes	4,009	2,626	6,516	2,744
INCOME TAX EXPENSE	173	658	234	663
NET INCOME	\$ 3,836	\$ 1,968	\$ 6,282	\$ 2,081
EARNINGS PER SHARE:				
BASIC	\$ 0.07	\$ 0.03	\$ 0.11	\$ 0.04
DILUTED	\$ 0.07	\$ 0.03	\$ 0.11	\$ 0.04
SHARES USED IN COMPUTING EARNINGS PER SHARE:				
BASIC	55,543	56,453	55,497	56,398
DILUTED	56,208	56,687	56,144	56,678

See accompanying notes to the consolidated financial statements.

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ORASURE TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME	\$ 3,836	\$ 1,968	\$ 6,282	\$ 2,081
OTHER COMPREHENSIVE INCOME (LOSS)				
Currency translation adjustments	363	633	3,230	(3,178)
COMPREHENSIVE INCOME (LOSS)	\$ 4,199	\$ 2,601	\$ 9,512	\$ (1,097)

See accompanying notes to the consolidated financial statements.

Table of Contents**ORASURE TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(in thousands)**

	Six Months Ended June 30,	
	2016	2015
OPERATING ACTIVITIES:		
Net income	\$ 6,282	\$ 2,081
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Stock-based compensation	2,942	3,008
Depreciation and amortization	2,778	2,849
Amortization of lease incentives	(40)	
Unrealized foreign currency loss	115	266
Deferred income taxes	(44)	366
Changes in assets and liabilities		
Accounts receivable	893	(524)
Inventories	1,949	35
Prepaid expenses and other assets	17	(42)
Accounts payable	(782)	(2,453)
Deferred revenue	4,083	(6,256)
Accrued expenses and other liabilities	(1,452)	(2,751)
Net cash provided by (used in) operating activities	16,741	(3,421)
INVESTING ACTIVITIES:		
Purchases of short-term investments	(15,335)	(11,960)
Proceeds from maturities of short-term investments	15,335	8,999
Purchases of property and equipment	(2,729)	(1,145)
Net cash used in investing activities	(2,729)	(4,106)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	209	124
Repurchase of common stock	(3,311)	(883)
Net cash used in financing activities	(3,102)	(759)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	697	(1,178)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,607	(9,464)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	94,094	92,867

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 105,701	\$ 83,403
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 556	\$ 81
Noncash investing activities (accrued property and equipment purchases)	\$ 287	\$ 128

See accompanying notes to the consolidated financial statements.

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ORASURE TECHNOLOGIES, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(in thousands, except per share amounts, unless otherwise indicated)

1. The Company

We develop, manufacture, market and sell diagnostic products and specimen collection devices using our proprietary technologies, as well as other diagnostic products, including immunoassays and other *in vitro* diagnostic tests that are used on other specimen types. Our diagnostic products include tests that are performed on a rapid basis at the point-of-care, tests that are processed in a laboratory, and a rapid point-of-care HIV test approved for use in the domestic consumer retail or over-the-counter (OTC) market. We also manufacture and sell collection devices used to collect, stabilize, transport and store samples of genetic material for molecular testing in the consumer genetic, clinical genetic, academic research, pharmacogenomic, personalized medicine, microbiome and animal genetic markets. Lastly, we manufacture and sell medical devices used for the removal of benign skin lesions by cryosurgery, or freezing. Our products are sold in the United States and internationally to various clinical laboratories, hospitals, clinics, community-based organizations, public health organizations, research and academic institutions, distributors, government agencies, physicians' offices, commercial and industrial entities, retail pharmacies and mass merchandisers, and to consumers over the internet.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation. The consolidated financial statements include the accounts of OraSure Technologies, Inc. (OraSure) and its wholly-owned subsidiary, DNA Genotek, Inc. (DNAG). All intercompany transactions and balances have been eliminated. References herein to we, us, our, or the Company mean OraSure and its consolidated subsidiary, unless otherwise indicated.

The accompanying consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting only of normal and recurring adjustments) necessary for a fair presentation of our financial position and results of operations for these interim periods. These financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Results of operations for the three and six months ended June 3