BIOCLINICA INC
Form 10-Q
August 09, 2012
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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, 2012

or

o Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File No. 001-11182

BIOCLINICA, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**11-2872047**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

826 Newtown-Yardley Road, Newtown, Pennsylvania 18940-1721

(Address of Principal Executive Offices) (Zip Code)

(267) 757-3000

(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: o

Indicate by check mark if 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: x No: o

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company x

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

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of July 31, 2012:

Class	**Number of Shares**
Common Stock, $0.00025 par value	15,588,803

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BIOCLINICA, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

References in this Quarterly Report on Form 10-Q to BioClinica, we, us, or our refer to BioClinica, Inc., a Delaware corporation, and its subsidiaries, doing business as BioClinica.

Certain information and footnote disclosures required under generally accepted accounting principles (GAAP) in the United States of America have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission, although we believe that such financial disclosures are adequate so that the information presented is not misleading in any material respect. The following consolidated financial statements should be read in conjunction with the year-end consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

The results of operations for the interim periods presented in this Quarterly Report on Form 10-Q are not necessarily indicative of the results to be expected for the entire fiscal year.

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands)	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,087	$ 12,575
Accounts receivable, net	15,823	16,353
Prepaid expenses and other current assets	2,053	1,743
Deferred income taxes	5,460	5,637
Total current assets	36,423	36,308
Property and equipment, net	18,515	16,186
Intangibles, net	1,517	1,808
Goodwill	34,302	34,302
Deferred income tax	6	1,021
Other assets	864	796
Total assets	$ 91,627	$ 90,421
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 3,564	$ 2,422
Accrued expenses and other current liabilities	4,349	5,944
Deferred revenue	12,339	13,438
Deferred income tax		526
Current maturities of capital lease obligations	774	423
Current liability for acquisition earn-out	2,000	2,000
Total current liabilities	23,026	24,753
Long-term capital lease obligations	2,677	1,535
Deferred income tax	4,333	4,499
Other liabilities	1,465	1,574
Total liabilities	$ 31,501	$ 32,361
Stockholders equity:		
Preferred stock - $0.00025 par value; authorized 3,000,000 shares, none issued and outstanding at June 30, 2012 and at December 31, 2012		
Common stock - $0.00025 par value; authorized 36,000,000 shares, issued and outstanding 15,613,559 shares at June 30, 2012 and 15,649,994 shares at December 31, 2011	4	4
Treasury stock at cost, shares held: 415,313 at June 30, 2012 and 233,913 at December 31, 2011	(2,103)	(1,126)
Additional paid-in capital	50,620	49,564
Retained earnings	11,617	9,590
Accumulated other comprehensive income	(12)	28
Total stockholders equity	$ 60,126	58,060
Total liabilities and stockholders equity	$ 91,627	$ 90,421

See Notes to Consolidated Financial Statements

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share data)	For the Three Months ended June 30, 2012	2011
Service revenues	$ 19,057	$ 16,891
Reimbursement revenues	4,001	3,519
Total revenues	23,058	20,410
Cost and expenses:		
Cost of service revenues	11,682	10,441
Cost of reimbursement revenues	4,001	3,519
Sales and marketing expenses	2,745	2,383
General and administrative expenses	2,782	2,371
Amortization of intangible assets related to acquisition	138	156
Mergers and acquisitions related costs		59
Total cost and expenses	21,348	18,929
Operating income	1,710	1,481
Interest income	2	2
Interest expense	(22)	(9)
Income before income tax	1,690	1,474
Income tax provision	(657)	(550)
Net income	$ 1,033	$ 924
Basic income per common share	$ 0.07	$ 0.06
Weighted average number of common shares	15,640	15,647
Diluted income per common share	$ 0.06	$ 0.06
Weighted average number of diluted shares	16,552	16,491

See Notes to Consolidated Financial Statements

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share data)	For the Six Months ended June 30, 2012	2011
Service revenues	$ 37,608	$ 33,035
Reimbursement revenues	8,135	7,040
Total revenues	45,743	40,075
Cost and expenses:		
Cost of service revenues	23,280	20,998
Cost of reimbursement revenues	8,135	7,040
Sales and marketing expenses	5,359	4,243
General and administrative expenses	5,384	4,593
Amortization of intangible assets related to acquisition	291	312
Mergers and acquisitions related costs		162
Restructuring costs		679
Total cost and expenses	42,449	38,027
Operating income	3,294	2,048
Interest income	6	5
Interest expense	(39)	(19)
Income before income tax	3,261	2,034
Income tax provision	(1,234)	(759)
Net income	$ 2,027	$ 1,275
Basic income per common share	$ 0.13	$ 0.08
Weighted average number of common shares	15,670	15,649
Diluted income per common share	$ 0.12	$ 0.08
Weighted average number of diluted shares	16,596	16,566

See Notes to Consolidated Financial Statements

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	For the Three Months Ended June 30,	
	2012	2011
Statement of comprehensive income (in thousands)		
Net income	$ 1,033	$ 924
Unrealized gain on derivative instruments, net of tax	(11)	
Equity adjustment from foreign currency translation, net of tax	(34)	16
Total comprehensive income	$ 988	$ 940

	For the Six Months Ended June 30,	
	2012	2011
Statement of comprehensive income (in thousands)		
Net income	$ 2,027	$ 1,275
Unrealized gain on derivative instruments, net of tax	(11)	
Equity adjustment from foreign currency translation, net of tax	(18)	57
Total comprehensive income	$ 1,998	$ 1,332

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)	For the Six Months ended June 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 2,027	$ 1,275
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,399	2,154
Provision for deferred income taxes	446	558
Excess tax benefits related to stock options	53	(19)
Bad debt recovery	(2)	(15)
Stock based compensation expense	890	672
Accretion of acquisition earn-out		114
Gain on sale/leaseback	73	
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	532	(2,781)
(Increase) decrease in prepaid expenses and other current assets	(322)	410
Increase in other assets	(66)	(2)
(Decrease) increase in accounts payable	(14)	2,077
Decrease in accrued expenses and other current liabilities	(1,671)	(1,146)
(Decrease) increase in deferred revenue	(1,099)	133
(Decrease) increase in other liabilities	(110)	234
Net cash provided by operating activities	$ 3,136	$ 3,664
Cash flows from investing activities:		
Purchases of property and equipment	$ (959)	$ (738)
Capitalized software development costs	(2,428)	(1,908)
Net cash used in investing activities	$ (3,387)	$ (2,646)
Cash flows from financing activities:		
Proceeds from sale/leaseback	1,734	514
Payments under equipment lease obligations	(240)	(88)
Purchase of treasury stock	(977)	(538)
Excess tax benefits related to stock options	(53)	19
Proceeds from exercise of stock options	317	87
Net cash provided by (used in) financing activities	$ 781	$ (6)
Effect of exchange rate changes on cash	(18)	64
Net increase in cash and cash equivalents	512	1,076
Cash and cash equivalents at beginning of period	12,575	10,443
Cash and cash equivalents at end of period	$ 13,087	$ 11,519
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 39	$ 19
Cash paid during the period for income taxes	$ 1,252	$ 686

See Notes to Consolidated Financial Statements

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Six Months Ended June 30,	
	2012	2011
Supplemental cash flow disclosure (in thousands)		
Non cash investing and financing activities:		
Increase in property, plant and equipment acquisitions in accounts payable	$ 1,163	$ 278
Equipment purchases under capital lease obligations	$ 1,734	$ 514

See Notes to Consolidated Financial Statements

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Note 1 - Interim Financial Statements

Basis of Presentation.

The financial statements included in this Quarterly Report on Form 10-Q have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods.

Interim results are not necessarily indicative of results for the full fiscal year.

Functional Currency.

The functional currency of each of the Company s foreign operations is the local currency of the country in which the operation is located. All assets and liabilities are translated into U.S. dollars using exchange rates in effect at the balance sheet date. Revenue and expenses are translated using average exchange rates during the period. Increases and decreases in net assets resulting from foreign currency translation are reflected in stockholder s equity as a component of accumulated other comprehensive income (loss).

The equity adjustment from foreign currency translation was $(29,000) and $91,000 for the six months ended June 30, 2012 and 2011, respectively.

Recently Issued Accounting Pronouncements.

In September 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance that allows an entity to use a qualitative approach to test goodwill for impairment. Under this guidance, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. In addition, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. This guidance will be effective for BioClinica s goodwill impairment tests performed after December 31, 2011 and is

not expected to have a material impact on the Company s consolidated financial statements.

In December 2011, the FASB issued an accounting standards update that will require us to disclose information about offsetting and related arrangements associated with certain financial and derivative instruments to enable users of our financial statements to better understand the effect of those arrangements on our financial position. The new guidance will be applicable to us for fiscal years, and interim periods within those years, beginning after January 1, 2013. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In July 2012, the FASB issued an accounting standards update with new guidance on annual impairment testing of indefinite-lived intangible assets. The standards update allows an entity to first assess

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qualitative factors to determine if it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on its qualitative assessment an entity concludes it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. The standards update is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We are currently evaluating the impact of adopting this standard.

Note 2 Restructuring charges

In 2011, the Company realigned its global resources to eliminate certain duplicate functions and took a total restructuring charge of $1.7 million for the fiscal year ended December 31, 2011. This restructuring charge was comprised of $656,000 in employee severance, $884,000 write-off of facility lease obligations and $179,000 in legal and other costs.

The Company has paid $1.6 million of the restructuring cost as of June 30, 2012 and the $130,000 remaining to be paid is included in Accrued Expense and Other Current Liabilities on the Consolidated Balance Sheet. The remaining $130,000 of the unpaid restructuring cost consists of the facility lease obligations that will be paid out over the remaining term of the leases with the last lease payment in March 2013.

Note 3 Stockholders Equity

The following summarizes the activity of the Stockholders equity accounts for the period from December 31, 2011 through June 30, 2012:

Balance at December 31, 2011	15,650	$ 4	$ 49,564	$ (1,126)	$ 9,590	$ 28	$ 58,060
Stock options exercised	108		317				317
Restricted shares issued	37		(98)				(98)
Stock based compensation			890				890
Purchase of treasury stock	(181)			(977)			(977)
Tax benefit on exercise of stock options			(53)				(53)
Unrealized gain on derivative instruments						(11)	(11)
Equity adjustments from foreign currency translation						(29)	(29)
Net income					2,027		2,027
Balance at June 30, 2012	15,614	$ 4	$ 50,620	$ (2,103)	$ 11,617	$ (12)	$ 60,126

On December 15, 2010, our Board of Directors authorized $2 million in funds for use in our common stock repurchase program over the following 18 months. On May 16, 2012, our Board of Directors extended our common stock repurchase program through December 31, 2013 and increased the authorized funds to $4 million. Repurchases under the program may be made through open market purchases or privately

negotiated transactions in accordance with applicable federal securities laws,

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including Rule 10b-18. The timing of the repurchases and the exact number of shares of common stock to be purchased will be determined by the discretion of our management, and will depend upon market conditions and other factors. The program will be funded using our cash on hand and cash generated from operations. The program may be extended, suspended or discontinued at any time.

Note 4 Earnings Per Share

Basic income per common share for the three and six months ended June 30, 2012 and 2011 was calculated by dividing the net income available to holders of our common stock by the weighted average number of shares of common stock outstanding during the period. Diluted income per share for the three and six months ended June 30, 2012 and 2011 was calculated by dividing net income by the weighted average number of shares of common stock outstanding, adjusted for the effect of potentially dilutive securities using the treasury stock method.

The computation of basic income per common share and diluted income per common share was as follows:

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income basic and diluted	$ 1,033	$ 924	$ 2,027	$ 1,275
Denominator basic:				
Weighted average number of common shares	15,640	15,647	15,670	15,649
Basic income per common share	$ 0.07	$ 0.06	$ 0.13	$ 0.08
Denominator diluted:				
Weighted average number of common shares	15,640	15,647	15,670	15,649
Incremental shares from assumed conversions of stock based compensation plans	912	844	926	917
Weighted average number of dilutive common equity shares	16,552	16,491	16,596	16,566
Diluted income per common share	$ 0.06	$ 0.06	$ 0.12	$ 0.08

Options to purchase 480,000 and 435,000 shares of BioClinica s common stock, had been excluded from the calculation of diluted earnings per common share for the three months ended June 30, 2012 and June 30, 2011, respectively, as they were all antidilutive. Options to purchase 480,000 and 430,000 shares of BioClinica s common stock, had been excluded from the calculation of diluted earnings per common share for the six months ended June 30, 2012 and June 30, 2011, respectively, as they were all antidilutive.

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Note 5 Commitments and Contingencies

On May 5, 2010, we entered into a two year unsecured, committed line of credit with PNC Bank and have renewed this two year line of credit annually. In April 2012, the Company again extended the expiration date of this line of credit to May 4, 2014. Under the credit agreement, we have the ability to borrow $7.5 million at interest rates equal to LIBOR plus 1.75%. In addition, we pay a fee of 0.25% per annum on the loan commitment regardless of usage. The credit agreement requires our compliance with certain covenants, including maintaining a minimum stockholders equity of $35 million. As of June 30, 2012, we had no borrowings under this line of credit, and we were compliant with the covenants.

Capital lease obligations consist of seven equipment lease obligations with the same bank at June 30, 2012. In the second quarter of 2012, we entered into one sale/leaseback transaction totaling $1.2 million whereby we sold and leased back computer equipment and software. The resulting lease is being accounted for as a capital lease and a gain of $51,000 was recorded in the second quarter of 2012. For the six months ended June 30, 2012, a gain of $73,000 was recorded. The gain recorded on the sale is being deferred over the life of the lease. The lease terms are for five years with interest rates ranging from 3.04% to 3.87% per annum.

Note 6 Derivative Financial Instruments

We enter into foreign currency contracts with financial institutions to reduce the risk that our cash flows and earnings will be adversely affected by foreign currency exchange rate fluctuations. In accordance with our current foreign exchange rate risk management policy, our program is not designated for trading or speculative purposes.

We recognize derivative instruments as either assets or liabilities in the accompanying Consolidated Balance Sheets at fair value.

During the second quarter of 2012, we entered into nine foreign currency call options designated as cash flow hedges to hedge certain forecasted expenses in our Netherlands and France offices denominated in Euros. The notional principal of the foreign currency call options to purchase 2.0 million Euros was $2.7 million U.S. Dollars at June 30, 2012. The foreign currency call options mature monthly starting September 2012 through May 2013. We paid a total premium in the second quarter of 2012 of $54,000 for these foreign currency call options.

We initially report any gain or loss on the effective portion of the cash flow hedge as a component of Other Comprehensive Income and subsequently reclassify to the Cost of Service Revenue in the Consolidated Statements of Income when the hedged transactions occur. Any ineffectiveness is recognized in earnings immediately. At June 30, 2012, the effective portion of our cash flow hedges, before tax effect, was $(19,000). During the six months ended June 30, 2012, none of the cash flow hedge transactions occurred and there were no reclassifications of the gain or loss due to ineffectiveness, therefore, we did not recognize anything in our Consolidated Statements of Income.

Valuation techniques used to measure fair value are intended to maximize the use of observable inputs and minimize the use of unobservable inputs. FASB establishes a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are to be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company has determined the foreign currency call options to be Level 2. The fair value of the foreign currency call options at June 30, 2012 was $35,000, and is reported in Other Assets in the accompanying Consolidated Balance Sheets.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

BioClinica provides integrated clinical research technology solutions to pharmaceutical, biotechnology, medical device companies and other organizations such as contract research organizations (CROs), engaged in global clinical studies. Our products and services include: medical image management, electronic image transport and archive solutions, electronic data capture, clinical data management, interactive voice and web response, clinical trial supply forecasting tools, and clinical trial management software solutions. By supplying enterprise-class software and hosted solutions accompanied by expert services to fully utilize these tools, we believe that our offerings provide our clients, large and small, improved speed and efficiency in the execution of clinical studies, with reduced clinical and business risk.

Market for our Services

Our vision is to build critical mass in the complementary disciplines of clinical research related to data collection and processing especially those which can benefit from our information technology products and support services and to integrate these offerings in ways that yield efficiency and value for our clients. Our goal is to provide demonstrable benefits to sponsor clients through this strategy, that is, more reliable, faster and less expensive drug development. We believe that the outsourcing of these services should continue to increase in the future because of continued pressure on clinical trial sponsors, including factors such as: the need to more tightly manage costs, capacity limitations, reductions in marketing exclusivity periods, the desire to reduce development time, increased globalization of clinical trials, productivity challenges, imminent patent expirations, and more stringent regulation. We believe these trends will continue to create opportunities for companies like BioClinica that are focused on improving the efficiency of drug and medical device development.

Sales and Backlog

Our sales cycle, referring to the period from the presentation by us to a potential client to the engagement of us by such client, has typically ranged from three to 12 months. In addition, the contracts under which we perform services typically cover a period of three months to seven years, and the volume and type of services performed by us generally vary during the course of a project. We cannot assure you that our project revenues will be at levels sufficient to maintain profitability.

Our contracted/committed backlog, referred to as backlog, is the expected service revenue that remains to be earned and recognized on both signed and verbally agreed-to contracts. In addition, our Cost of Service Revenues may increase to service our increased backlog. Our backlog as of June 30, 2012 was $110.2 million, compared to $112.5 million at June 30, 2011. Changes in backlog for the period reflect the net effect of new contract signings, addendums, cancellations and expansions and reductions in scope of existing projects, all of which impacted our backlog at June 30, 2012.

Contracts included in backlog are subject to termination by our clients at any time. In the event that a contract is cancelled by the client, we would be entitled to receive payment for all services performed up to the cancellation date. The duration of the projects included in our backlog

range from less than three months to 84 months. We do not believe that backlog is a reliable predictor of future results because service revenues may be incurred in a given period on contracts that were not included in the previous

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reporting period s backlog and/or contract cancellations or project delays may occur in a given period on contracts that were included in the previous reporting period s backlog.

Forward Looking Statements

Certain matters discussed in this Form 10-Q are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as believes , expects , may , should or anticipates or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In particular, our statements regarding: our projected financial results; the demand for our services and technologies; growing recognition for the use of independent medical image review services; trends toward the outsourcing of imaging services in clinical trials; realized return from our marketing efforts; increased use of digital medical images in clinical trials; integration of our acquired companies and businesses; expansion into new business segments; the success of any potential acquisitions and the integration of current acquisitions; and the level of our backlog are examples of such forward-looking statements. The forward-looking statements include risks and uncertainties, including, but not limited to, the timing of revenues due to the variability in size, scope and duration of projects, estimates made by management with respect to our critical accounting policies, regulatory delays, clinical study results which lead to reductions or cancellations of projects and other factors, including general economic conditions and regulatory developments, not within our control. The factors discussed in this Form 10-Q and expressed from time to time in our filings with the SEC could cause actual results and developments to be materially different from those expressed in or implied by such statements. The forward-looking statements are made only as of the date of this filing, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance that allows an entity to use a qualitative approach to test goodwill for impairment. Under this guidance, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. In addition, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. This guidance will be effective for BioClinica s goodwill impairment tests performed after December 31, 2011 and is not expected to have a material impact on the Company s consolidated financial statements.

In December 2011, the FASB issued an accounting standards update that will require us to disclose information about offsetting and related arrangements associated with certain financial and derivative instruments to enable users of our financial statements to better understand the effect of those arrangements on our financial position. The new guidance will be applicable to us for fiscal years, and interim periods within those years, beginning after January 1, 2013. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In July 2012, the FASB issued an accounting standards update with new guidance on annual impairment testing of indefinite-lived intangible assets. The standards update allows an entity to first assess qualitative factors to determine if it is more likely than not that the fair value of an indefinite-lived

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intangible asset is less than its carrying amount. If based on its qualitative assessment an entity concludes it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. The standards update is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We are currently evaluating the impact of adopting this standard.

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Results of Operations

Three Months Ended June 30, 2012 and 2011

(in thousands)	Three Months ended June 30, 2012	% of Total Revenue	Three Months ended June 30, 2011	% of Total Revenue	$ Change	% Change
Service revenues	$ 19,057	82.6%	$ 16,891	82.8%	$ 2,166	12.8%
Reimbursement revenues	4,001	17.4%	3,519	17.2%	482	13.7%
Total revenues	23,058	100.0%	20,410	100.0%	2,648	13.0%
Cost and expenses:						
Cost of service revenues	11,682	50.7%	10,441	51.2%	1,241	11.9%
Cost of reimbursement revenues	4,001	17.4%	3,519	17.2%	482	13.7%
Sales and marketing expenses	2,745	11.9%	2,383	11.7%	362	15.2%
General and administrative expenses	2,782	11.6%	2,371	11.6%	411	17.3%
Amortization of intangible assets related to acquisitions	138	0.8%	156	0.8%	(18)	(11.5)%
Mergers and acquisitions related costs		0.3%	59	0.3%	(59)	(100)%
Total cost and expenses	21,348	92.6%	18,929	92.7%	2,419	12.8%
Income from operations	1,710	7.4%	1,481	7.3%	229	15.5%
Interest income	2		2			
Interest expense	(22)	(0.1)%	(9)		(13)	144.4
Income before income tax	1,690	7.3%	1,474	7.2%	216	14.7%
Income tax provision	(657)	(2.8)%	(550)	(2.7)%	(107)	(19.5)%
Net income	$ 1,033	4.5%	$ 924	4.5%	$ 109	11.8%

Service revenues were $19.1 million for the three months ended June 30, 2012 and $16.9 million for the same period in 2011, an increase of $2.2 million or 12.8%. The increase in service revenues was due to an increase in work performed as a result of strong growth from our eClinical solutions, including our full service EDC, Trident IWR and OnPoint CTMS as well as solid performance in our medical imaging solutions offering. Pfizer, Inc., encompassing 18 projects, represented 18.5% of our service revenue for the three months ended June 30, 2012. For the three months ended June 30, 2011, Pfizer Inc., encompassing 19 distinct projects, represented 22.0% of our service revenues.

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Reimbursement revenues and cost of reimbursement revenues were $4.0 million for the three months ended June 30, 2012 and $3.5 million for the same period in 2011, an increase of $482,000, or 13.7%. Reimbursement revenues and cost of reimbursement revenues consist of payments received from the customer for revenues and cost of reimbursement revenues fluctuate significantly over the course of any given project, and quarter to quarter variations are a reflection of this project timing. Therefore, our management believes that reimbursement revenues and cost of reimbursement revenues are not a significant indicator of our overall performance trends. At the request of our clients, we may directly pay the independent radiologists who review our client s imaging data. In such cases, per contractual arrangement, these costs are billed to our clients and are included in reimbursement revenues and cost of reimbursement revenues.

Cost of service revenues was $11.7 million for the three months ended June 30, 2012 and $10.4 million for the same period in 2011, an increase of $1.2 million, or 11.9%. Cost of service revenues for the three months ended June 30, 2012 and the three months ended June 30, 2011 are comprised of professional salaries and benefits and allocated overhead. The increase is primarily attributable to the additional personnel to support the growth of our Trident IWR, OnPoint CTMS and full service Express EDC solutions. The cost of revenues as a percentage of total revenues also fluctuates due to work-flow variations in the utilization of staff and the mix of services provided by us in any given period. We expect that our cost of service revenues will increase for the remainder of fiscal 2012 due to increased servicing costs to support the growth of our Trident IWR, OnPoint CTMS and full service Express EDC solutions.

Sales and marketing expenses were $2.7 million for the three months ended June 30, 2012 and $2.4 million for the same period in 2011, an increase of $362,000, or 15.2%. Sales and marketing expenses for the three months ended June 30, 2012 and the three months ended June 30, 2011 were comprised of direct sales and marketing costs, salaries and benefits and allocated overhead. The increase is due to additional sales personnel and related costs as we expand our sales efforts for our eClinical product in the U.S. and Europe. We expect that our sales and marketing costs will increase for fiscal 2012 but decrease as a percentage of total revenue going forward.

General and administrative expenses were $2.8 million for the three months ended June 30, 2012 and $2.4 million for the same period in 2011, an increase of $411,000, or 17.3%. General and administrative expenses for the three months ended June 30, 2012 and the three months ended June 30, 2011 consisted primarily of salaries and benefits, allocated overhead, professional and consulting services and corporate insurance. The increase is due to increased information technology personnel and costs to support our technology needs. We expect that our general and administrative expenses will increase for fiscal 2012 but decrease as a percentage of total revenue going forward.

Amortization of intangible assets related to acquisitions was $138,000 for the three months ended June 30, 2012 and $156,000 for the same period in 2011, a decrease of $18,000, or 11.5%. Amortization of intangible assets related to acquisitions consisted primarily of amortization of customer backlog, customer relationships, software and non-compete intangibles acquired from the acquisitions of Phoenix Data Systems, Tourtellotte, TranSenda and Theralys. We expect that the amortization of intangible assets related to acquisitions will decrease for fiscal 2012 due to the completion of amortization of certain intangible assets.

There were no merger and acquisition related costs for the three months ended June 30, 2012, as compared to $59,000 for the same period in 2011. The three months ended June 30, 2011 represents the accretion related to the change in the fair value of the second earn-out payment associated with our acquisition of Tourtellotte Solutions, Inc. in September 2009.

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Net interest expense was $20,000 for the three months ended June 30, 2012, and $7,000 for the three months ended June 30, 2011, an increase of $13,000, or 171%. Interest income is comprised of interest income earned on our cash balance and interest expense is comprised of interest expense incurred on equipment lease obligations. The increase in expense is due to the capital lease obligations we entered into during 2011 and 2012.

Our income tax provision was $657,000 for the three months ended June 30, 2012 and $550,000 for the same period in 2011, an increase of $107,000, or 19.5%. The income tax rate is 38.9% for the three months ends June 30, 2012 as compared to 37.3% for the same period in 2011. We expect our effective tax rate for the full 2012 year to be approximately 39%; this estimate excludes an approximate 3% federal credit for research and experimentation activities since Congress has not signed the legislation to extend this credit.

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Results of Operations

Six Months Ended June 30, 2012 and 2011

(in thousands)	Six Months ended June 30, 2012	% of Total Revenue	Six Months ended June 30, 2011	% of Total Revenue	$ Change	% Change
Service revenues	$ 37,608	82.2%	$ 33,035	82.8%	$ 4,573	13.8%
Reimbursement revenues	8,135	17.8%	7,040	17.4%	1,095	15.6%
Total revenues	45,743	100.0%	40,075	100.0%	5,668	14.1%
Cost and expenses:						
Cost of service revenues	23,280	50.9%	20,998	52.4%	2,282	10.9%
Cost of reimbursement revenues	8,135	17.8%	7,040	17.6%	1,095	15.6%
Sales and marketing expenses	5,359	11.7%	4,243	10.6%	1,116	26.3%
General and administrative expenses	5,384	11.8%	4,593	11.5%	791	17.2%
Amortization of intangible assets related to acquisitions	291	0.6%	312	0.8%	(21)	(6.7)%
Mergers and acquisitions related costs			162	0.4%	(162)	
Restructuring costs			679	1.7%	(679)	
Total cost and expenses	42,449	92.8%	38,027	94.9%	4,422	11.6%
Income from operations	3,294	7.2%	2,048	5.1%	1,246	60.6%
Interest income	6		5		1	20.0%
Interest expense	(39)	(0.1)%	(19)		(20)	105.3%
Income before income tax	3,261	7.1%	2,034	5.1%	1,227	60.3%
Income tax provision	(1,264)	(2.7)%	(759)	(1.9)%	(475)	(62.6)%
Net income	$ 2,027	4.4%	$ 1,275	3.2%	$ 752	59.0%

Service revenues were $37.6 million for the six months ended June 30, 2012 and $33.0 million for the same period in 2011, an increase of $4.6 million or 13.8%. The increase in service revenues was due to an increase in work performed as a result of strong growth from our eClinical solutions, including our full service EDC, Trident IWR and OnPoint CTMS as well as solid performance in our medical imaging solutions offering. Pfizer, Inc., encompassing 19 projects, represented 17.9% of our service revenue for the six months ended June 30, 2012. For the six months ended June 30, 2011, Pfizer Inc., encompassing 19 distinct projects, represented 21.0% of our service revenues.

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Reimbursement revenues and cost of reimbursement revenues were $8.1 million for the six months ended June 30, 2012 and $7.0 million for the same period in 2011, an increase of $1.1 million, or 15.6%. Reimbursement revenues and cost of reimbursement revenues consist of payments received from the customer for revenues and cost of reimbursement revenues fluctuate significantly over the course of any given project, and quarter to quarter variations are a reflection of this project timing. Therefore, our management believes that reimbursement revenues and cost of reimbursement revenues are not a significant indicator of our overall performance trends. At the request of our clients, we may directly pay the independent radiologists who review our client s imaging data. In such cases, per contractual arrangement, these costs are billed to our clients and are included in reimbursement revenues and cost of reimbursement revenues.

Cost of service revenues was $23.3 million for the six months ended June 30, 2012 and $21.0 million for the same period in 2011, an increase of $2.3 million, or 10.9%. Cost of service revenues for the six months ended June 30, 2012 and the six months ended June 30, 2011 are comprised of professional salaries and benefits and allocated overhead. The increase is primarily attributable to the additional personnel to support the growth of our Trident IWR, OnPoint CTMS and full service Express EDC solutions. The cost of revenues as a percentage of total revenues also fluctuates due to work-flow variations in the utilization of staff and the mix of services provided by us in any given period. We expect that our cost of service revenues will increase for the remainder of fiscal 2012 due to increased servicing costs to support the growth of our Trident IWR, OnPoint CTMS and full service Express EDC solutions.

Sales and marketing expenses were $5.4 million for the six months ended June 30, 2012 and $4.2 million for the same period in 2011, an increase of $1.1 million, or 26.3%. Sales and marketing expenses for the six months ended June 30, 2012 and the six months ended June 30, 2011 were comprised of direct sales and marketing costs, salaries and benefits and allocated overhead. The increase is due to additional sales personnel and related costs as we expand our sales efforts for our eClinical product in the U.S. and Europe. We expect that our sales and marketing costs will increase for fiscal 2012 but decrease as a percentage of total revenue going forward.

General and administrative expenses were $5.4 million for the six months ended June 30, 2012 and $4.6 million for the same period in 2011, an increase of $791,000, or 17.2%. General and administrative expenses for the six months ended June 30, 2012 and the six months ended June 30, 2011 consisted primarily of salaries and benefits, allocated overhead, professional and consulting services and corporate insurance. The increase is due to increased information technology personnel and costs to support our technology needs. We expect that our general and administrative expenses will increase for fiscal 2012 but decrease as a percentage of total revenue going forward.

Amortization of intangible assets related to acquisitions was $291,000 for the six months ended June 30, 2012 and $312,000 for the same period in 2011, a decrease of $21,000, or 6.7%. Amortization of intangible assets related to acquisitions consisted primarily of amortization of customer backlog, customer relationships, software and non-compete intangibles acquired from the acquisitions of Phoenix Data Systems, Tourtellotte, TranSenda and Theralys. We expect that the amortization of intangible assets related to acquisitions will decrease for fiscal 2012 due to the completion of amortization of certain intangible assets.

There were no merger and acquisition related costs for the six months ended June 30, 2012, as compared to $162,000 for the same period in 2011. The six months ended June 30, 2011 includes $57,000 for the accretion related to the change in the fair value of the second earn-out payment associated with our acquisition of Tourtellotte Solutions, Inc. in September 2009. It also includes professional fees associated

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with our acquisition of TranSenda International, LLC in March 2010.

There were no restructuring costs for the six months ended June 30, 2012, compared to $679,000 during the same period in 2011. The launch of our BioPacs imaging management system and the release of our integrated BioRead image review software further enhances the quality of our imaging corelab service offering and has enabled us to gain efficiencies by better utilizing resources across our U.S. and European operations. As a result, in 2011, we realigned our global resources to eliminate certain duplicate functions and took a total restructuring charge of $1.7 million for fiscal 2011. This restructuring charge was comprised of $656,000 in employee severance, $884,000 write-off of facility lease obligations and $179,000 in legal and other costs. We do not anticipate any additional restructuring costs for fiscal 2012.

Net interest expense was $33,000 for the six months ended June 30, 2012, and $14,000 for the six months ended June 30, 2011, an increase of $19,000, or 136%. Interest income is comprised of interest income earned on our cash balance and interest expense is comprised of interest expense incurred on equipment lease obligations. The increase in expense is due to the capital lease obligations we entered into during 2011 and 2012.

Our income tax provision was $1.2 million for the six months ended June 30, 2012 and $759,000 for the same period in 2011, an increase of $475,000, or 62.6%. The income tax rate is 37.8% for the six months ends June 30, 2012 as compared to 37.3% for the same period in 2011. We expect our effective tax rate for the full 2012 year to be approximately 39%; this estimate excludes an approximate 3% federal credit for research and experimentation activities since Congress has not signed the legislation to extend this credit.

Business Segments and Geographic Information

We view our operations and manage our business as one operating segment, clinical trials services.

Our corporate headquarters and operational facilities are in Pennsylvania, in the United States. We also have a European facility in Leiden, the Netherlands. Our European facility has similar processing and analysis capabilities as our United States headquarters. We also have a facility in Lyon, France that provides product development and research activities. We have an office in Bhubaneshwar, India to provide information technology support services.

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Liquidity and Capital Resources

Our principal liquidity requirements have been, and we expect will be, for working capital and general corporate purposes, including capital expenditures.

Statement of Cash Flow for the six months ended June 30, 2012 compared to June 30, 2011

(in thousands)	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net cash provided by operating activities	$ 3,136	$ 3,664
Net cash used in investing activities	$ (3,387)	$ (2,646)
Net cash provided by (used in) financing activities	$ 781	$ (6)

At June 30, 2012, we had cash and cash equivalents of $13.1 million. Working capital, defined as current assets minus current liabilities, at June 30, 2012 was $13.4 million.

Net cash provided by operating activities for the six months ended June 30, 2012 was $3.1 million as compared to $3.7 million for the six months ended June 30, 2011. This decrease from the prior year is primarily due to the timing of vendor payments along with decreased deferred revenue.

Net cash used in investing activities for the six months ended June 30, 2012 was $3.4 million as compared to net cash used in investing activities of $2.7 million for the six months ended June 30, 2011. This increase is primarily due to increased capitalized software costs as we invest in our technology platform for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. We currently anticipate that capital expenditures for fiscal 2012 will be approximately $9 million, funded by cash from operations, as compared to $5.8 million for fiscal 2011. These expenditures primarily represent capitalization of software costs and network and data center computer equipment.

Net cash provided by financing activities for the six months ended June 30, 2012 was $781,000 as compared to net cash used in financing activities of $6,000 for the six months ended June 30, 2011. The difference from the prior year was primarily due to our purchase of treasury shares for $977,000 for the six months ended June 30, 2012 along with entering into $1.7 million in capital lease obligations to finance the purchas