

HESKA CORP  
Form 10-Q  
August 14, 2007

**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 June 30, 2007

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: 000-22427

**HESKA CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**77-0192527**

(I.R.S. Employer Identification Number)

**3760 Rocky Mountain Avenue**

**Loveland, Colorado**

(Address of principal executive offices)

**80538**

(Zip Code)

Registrant's telephone number, including area code: **(970) 493-7272**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares of the Registrant's Common Stock, \$.001 par value, outstanding at August 13, 2007 was 51,300,486

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**HESKA CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(dollars in thousands except per share amounts)

(unaudited)

**ASSETS**

	<b>December 31, 2006</b>	<b>June 30, 2007</b>
Current assets:		
Cash and cash equivalents	\$ 5,275	\$ 5,481
Accounts receivable, net of allowance for doubtful accounts of \$98 and \$85, respectively	11,372	10,619
Inventories, net	13,090	12,273
Other current assets	915	768
Total current assets	30,652	29,141
Property and equipment, net	6,948	8,588
Goodwill	771	765
Deferred tax asset, net of current portion	32	27
Other assets	92	92
Total assets	\$ 38,495	\$ 38,613

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 4,849	\$ 4,248
Accrued liabilities	4,553	3,945
Current portion of deferred revenue	3,281	2,524
Line of credit	8,022	7,402
Current portion of long-term debt and capital leases	1,275	776
Total current liabilities	21,980	18,895
Long-term debt and capital leases, net of current portion	1,927	1,539
Deferred revenue, net of current portion, and other	7,840	7,511
Total liabilities	31,747	27,945

## Commitments and contingencies

## Stockholders' equity:

Preferred stock, \$.001 par value, 25,000,000 shares authorized; none issued or outstanding

Common stock, \$.001 par value, 75,000,000 shares authorized; 50,764,273 and

51,097,220 shares issued and outstanding, respectively

	51	51
Additional paid-in capital	214,601	215,110
Accumulated other comprehensive income (loss)	92	77
Accumulated deficit	(207,996 )	(204,570 )
Total stockholders' equity	6,748	10,668
Total liabilities and stockholders' equity	\$ 38,495	\$ 38,613

See accompanying notes to condensed consolidated financial statements.

**HESKA CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2006</b>	<b>2007</b>	<b>June 30, 2006</b>	<b>2007</b>
Revenue, net:				
Product revenue, net:				
Core companion animal health	\$ 14,652	\$ 16,236	\$ 28,911	\$33,227
Other vaccines, pharmaceuticals and products	3,520	3,540	6,229	8,863
Total product revenue, net	18,172	19,776	35,140	42,090
Research, development and other	365	311	897	712
Total revenue	18,537	20,087	36,037	42,802
Cost of revenue:				
Cost of products sold	10,795	11,713	21,007	23,965
Cost of research, development and other	113	73	548	176
Total cost of revenue	10,908	11,786	21,555	