

ICAD INC  
Form 10-Q  
August 08, 2008

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, 2008

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 1-9341

iCAD, Inc.

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

02-0377419  
(I.R.S. Employer Identification  
No.)

98 Spit Brook Road, Suite 100,  
Nashua, NH

03062

(Address of principal executive  
offices)

(Zip Code)

(603) 882-5200

\_\_\_\_\_  
(Registrant's telephone number, including area code)

Not Applicable

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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 requirement for the past 90 days. YES  NO

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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

(do not check if a 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 .

As of the close of business on August 6, 2008 there were 41,420,985 shares outstanding of the registrant 's Common Stock, \$.01 par value.

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## iCAD, INC.

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**iCAD, INC. AND SUBSIDIARY**  
**Consolidated Balance Sheets**  
(unaudited)

	June 30, 2008	December 31, 2007
<u>Assets (Note 2)</u>		
Current assets:		
Cash and cash equivalents	\$ 7,120,057	\$ 4,348,729
Trade accounts receivable, net of allowance for doubtful accounts of \$50,000 in 2008 and 2007	6,162,126	6,483,618
Inventory, net	2,122,156	1,798,243
Prepaid and other current assets	645,977	320,169
Total current assets	16,050,316	12,950,759
Property and equipment:		
Equipment	3,565,479	3,512,557
Leasehold improvements	71,611	71,611
Furniture and fixtures	341,280	330,077
Marketing assets	323,873	323,873
	4,302,243	4,238,118
Less accumulated depreciation and amortization	2,726,453	2,369,590
Net property and equipment	1,575,790	1,868,528
Other assets:		
Deposits	63,194	63,194
Patents, net of accumulated amortization	29,207	68,269
Technology intangibles, net of accumulated amortization	2,807,802	3,115,843
Tradenname, net of accumulated amortization	136,400	148,800
Goodwill	43,515,285	43,515,285
Total other assets	46,551,888	46,911,391
Total assets	\$ 64,177,994	\$ 61,730,678
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 1,784,070	\$ 2,010,717
Accrued salaries and other expenses	2,547,928	3,461,422
Deferred revenue	2,074,885	1,674,005
Convertible loans payable to related parties	2,297,794	2,793,382
Convertible loans payable to non-related parties	694,853	684,559
Total current liabilities	9,399,530	10,624,085
Convertible revolving loans payable to related party	-	2,258,906
Total liabilities	9,399,530	12,882,991
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$ .01 par value: authorized 85,000,000 shares; issued 41,378,854 in 2008 and 39,239,208 in 2007; outstanding 41,310,978 in 2008 and 39,171,332 in 2007	413,788	392,392
Additional paid-in capital	139,024,054	135,055,418
Accumulated deficit	(83,709,114)	(85,649,859)
Treasury stock at cost (67,876 shares)	(950,264)	(950,264)

Total Stockholders' equity		54,778,464		48,847,687
Total liabilities and stockholders' equity	\$	64,177,994	\$	61,730,678

*See accompanying notes to consolidated financial statements.*

## iCAD, INC.

Consolidated Statements of Operations  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue				
Products	\$ 9,677,125	\$ 5,263,732	\$ 15,331,748	\$ 10,534,406
Service and supplies	872,364	841,004	1,649,757	1,717,816
Total revenue	10,549,489	6,104,736	16,981,505	\$ 12,252,222
Cost of revenue				
Products	1,470,227	947,172	2,425,642	1,951,290
Service and supplies	263,614	271,021	446,383	475,531
Total cost of revenue	1,733,841	1,218,193	2,872,025	2,426,821
Gross margin	8,815,648	4,886,543	14,109,480	9,825,401
Operating expenses:				
Engineering and product development	1,503,595	1,133,424	2,912,804	2,198,299
Marketing and sales	2,809,466	2,793,446	5,192,989	5,302,205
General and administrative	1,935,891	1,689,951	3,784,237	3,503,306
Total operating expenses	6,248,952	5,616,821	11,890,030	11,003,810
Income (loss) from operations	2,566,696	(730,278)	2,219,450	(1,178,409)
Interest expense - net	84,098	109,333	182,705	215,139
Net income (loss) before provision for income taxes	\$ 2,482,598	\$ (839,611)	\$ 2,036,745	\$ (1,393,548)
Provision for income taxes	96,000	-	96,000	-
Net income (loss)	2,386,598	(839,611)	1,940,745	(1,393,548)
Preferred dividend	-	26,830	-	55,880
Net income (loss) attributable to common stockholders	\$ 2,386,598	\$ (866,441)	\$ 1,940,745	\$ (1,449,428)
Net income (loss) per share				
Basic	\$ 0.06	\$ (0.02)	\$ 0.05	\$ (0.04)
Diluted	\$ 0.06	\$ (0.02)	\$ 0.05	\$ (0.04)
Weighted average number of shares used in computing income (loss) per share				

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Basic	39,308,978	38,035,094	39,240,427	37,755,330
Diluted	44,635,496	38,035,094	44,179,709	37,755,330

*See accompanying notes to consolidated financial statements.*

**iCAD, INC.**  
**Consolidated Statements of Cash Flows**  
(unaudited)

	<b>Six Months Ended June 30, 2008</b>	<b>Six Months Ended June 30, 2007</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 1,940,745	\$ (1,393,548)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation	458,829	505,284
Amortization	359,503	359,504
Loss on disposal of assets	-	11,145
Stock based compensation	816,643	492,608
Non-cash interest expense associated with discount on convertible loans payable	14,706	14,706
Changes in operating assets and liabilities:		
Accounts receivable	321,492	(337,524)
Inventory	(323,913)	732,418
Other current assets	(325,808)	(101,832)
Accounts payable	(226,647)	(805,127)
Accrued interest	142,214	223,263
Accrued salaries and other expenses	(601,534)	(549,285)
Deferred revenue	400,880	238,559
Total adjustments	1,036,365	783,719
<b>Net cash provided by (used for) operating activities</b>	<b>2,977,110</b>	<b>(609,829)</b>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(198,348)	(368,250)
<b>Net cash used for investing activities</b>	<b>(198,348)</b>	<b>(368,250)</b>
<b>Cash flows from financing activities:</b>		
Issuance of common stock for cash		