

CardioNet, Inc.
Form 10-Q
May 06, 2011
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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 March 31, 2011

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 001-33993

CardioNet, Inc.

(Exact Name of Registrant as Specified in its Charter)

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Delaware

(State or Other Jurisdiction of Incorporation or Organization)

33-0604557

(I.R.S. Employer Identification Number)

**227 Washington Street
Conshohocken, Pennsylvania**

(Address of Principal Executive Offices)

19428

(Zip Code)

(610) 729-7000

(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. (Check one):

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 April 25, 2011, 24,365,216 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

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CARDIONET, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2011

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FORWARD-LOOKING STATEMENTS

This document includes certain forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995 regarding, among other things, our growth prospects, the prospects for our products and our confidence in the Company's future. These statements may be identified by words such as expect, anticipate, estimate, intend, plan, believe, promises and other words of similar meaning. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including important factors that could delay, divert, or change any of them, and could cause actual outcomes and results to differ materially from current expectations. These factors include, among other things, the national rate set by the Centers for Medicare and Medicaid Services (CMS) for our mobile cardiovascular telemetry service, effectiveness of our cost savings initiatives, changes to insurance coverage and reimbursement levels for our products, the success of our sales and marketing initiatives, our ability to attract and retain talented executive management and sales personnel, our ability to identify acquisition candidates, acquire them on attractive terms and integrate their operations into our business, the commercialization of new products, market factors, internal research and development initiatives, partnered research and development initiatives, competitive product development, changes in governmental regulations and legislation, the continued consolidation of payors, acceptance of our new products and services and patent protection and litigation. For further details and a discussion of these and other risks and uncertainties, please see our public filings with the Securities and Exchange Commission, including our latest periodic reports on Form 10-K and 10-Q. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****CARDIONET, INC.****CONSOLIDATED BALANCE SHEETS***(In thousands, except share and per share amounts)*

	(Unaudited) March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,458	\$ 18,705
Short-term available-for-sale-investments	24,553	26,779
Accounts receivable, net of allowance for doubtful accounts of \$10,169 and \$11,779, at March 31, 2011 and December 31, 2010, respectively	26,808	24,978
Other receivables	2,721	3,041
Inventory, net of reserves of \$13 and \$0, at March 31, 2011 and December 31, 2010, respectively	1,456	1,461
Prepaid expenses and other current assets	3,718	3,086
Total current assets	77,714	78,050
Property and equipment, net	19,288	22,000
Intangible assets, net	3,459	3,764
Goodwill	49,362	49,362
Other assets	4,089	3,516
Total assets	\$ 153,912	\$ 156,692
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 6,248	\$ 7,127
Accrued liabilities	8,044	9,881
Deferred revenue	559	408
Total current liabilities	14,851	17,416
Deferred tax liability	3,191	3,191
Deferred rent	1,062	1,157
Total liabilities	19,104	21,764
Stockholders equity:		
Common stock, \$.001 par value; 200,000,000 shares authorized; 24,333,158 and 24,251,170 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively	24	24
Paid-in capital	249,188	247,747

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Accumulated other comprehensive (loss) income	(1)	8
Accumulated deficit	(114,403)	(112,851)
Total stockholders' equity	134,808	134,928
Total liabilities and stockholders' equity	\$ 153,912	\$ 156,692

See accompanying notes.

Table of Contents**CARDIONET, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)***(In thousands, except share and per share amounts)*

	Three Months Ended March 31,	
	2011	2010
Revenues:		
Net patient service revenues	\$ 30,432	\$ 31,816
Other revenues	3,567	
Total revenues	33,999	31,816
Cost of revenues	13,652	11,749
Gross profit	20,347	20,067
Operating expenses:		
General and administrative	9,675	9,677
Sales and marketing	8,065	7,997
Bad debt expense		