

SHARPS COMPLIANCE CORP
Form 10-Q
November 01, 2018

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 September 30, 2018

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: 001-34269

SHARPS COMPLIANCE CORP.
(Exact name of registrant as specified in its charter)

Delaware 74-2657168
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

9220 Kirby Drive, Suite 500, Houston, Texas 77054
(Address of principal executive offices) (Zip Code)
(713) 432-0300
(Registrant's telephone number, including area code)

Indicate by check mark if 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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Securities Exchange Act of 1934.

Large Accelerated Filer <input type="radio"/>	Accelerated Filer <input type="radio"/>	Non-accelerated Filer <input type="radio"/> (Do not check if a smaller reporting company)	Emerging growth company <input type="radio"/>	Smaller reporting company <input checked="" type="radio"/>
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 30, 2018, there were 16,082,021 outstanding shares of the Registrant's common stock, par value \$0.01 per share.

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and par value)

	September 30, 2018	June 30, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,149	\$ 5,155
Accounts receivable, net of allowance for doubtful accounts of \$110 and \$102, respectively	6,800	6,370
Inventory	4,144	3,986
Contract asset	278	—
Prepaid and other current assets	741	739
TOTAL CURRENT ASSETS	17,112	16,250
PROPERTY, PLANT AND EQUIPMENT, net	6,310	6,572
LONG-TERM CONTRACT ASSET, net of current portion	60	—
OTHER ASSETS	143	149
GOODWILL	6,735	6,735
INTANGIBLE ASSETS, net	3,536	3,525
TOTAL ASSETS	\$ 33,896	\$ 33,231
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,894	\$ 1,500
Accrued liabilities	2,042	2,061
Current maturities of long-term debt	517	537
Contract liability	1,801	1,894
TOTAL CURRENT LIABILITIES	6,254	5,992
LONG-TERM CONTRACT LIABILITY, net of current portion	462	470
OTHER LONG-TERM LIABILITIES	137	130
LONG-TERM DEFERRED TAX LIABILITY	25	—
LONG-TERM DEBT, net of current portion	1,335	1,465
TOTAL LIABILITIES	8,213	8,057
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value per share; 20,000,000 shares authorized; 16,377,636 shares issued and 16,082,021 shares outstanding	164	164
Treasury stock, at cost, 295,615 shares repurchased	(1,554)	(1,554)
Additional paid-in capital	28,722	28,621
Accumulated deficit	(1,649)	(2,057)

TOTAL STOCKHOLDERS' EQUITY	25,683	25,174
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 33,896	\$ 33,231

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per-share data)

	Three-Months Ended September 30,	
	2018	2017
REVENUES	\$ 10,293	\$ 9,683
Cost of revenues	6,941	6,655
GROSS PROFIT	3,352	3,028
Selling, general and administrative	3,026	2,725
Depreciation and amortization	201	202
OPERATING INCOME	125	101
OTHER INCOME (EXPENSE)		
Interest income	5	5
Interest expense	(23) (24)
TOTAL OTHER EXPENSE	(18) (19)
INCOME BEFORE INCOME TAXES	107	82
INCOME TAX EXPENSE		
Current	4	5
Deferred	33	2
TOTAL INCOME TAX EXPENSE	37	7
NET INCOME	\$ 70	\$ 75
NET INCOME PER COMMON SHARE - Basic and Diluted	\$ 0.00	\$ 0.00
WEIGHTED AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE:		
Basic	16,082	16,008
Diluted	16,089	16,093

The accompanying notes are an integral part of these condensed consolidated financial statements.

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands, except share data)

	Common Stock		Treasury Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Equity
Balances, June 30, 2017	16,304,027	\$ 163	(295,615)	\$(1,554)	\$ 28,063	\$ (1,385)) \$ 25,287
Stock-based compensation	—	—	—	—	476	—	476
Issuance of common shares for lease	20,617	—	—	—	83	—	83
Issuance of restricted stock	52,992	1	—	—	(1)) —	—
Net loss	—	—	—	—	—	(672)) (672)
Balances, June 30, 2018	16,377,636	164	(295,615)	(1,554)	28,621	(2,057)) 25,174
Stock-based compensation	—	—	—	—	101	—	101
Cumulative effect of new accounting standard (Note 3)	—	—	—	—	—	338	338
Net income	—	—	—	—	—	70	70
Balances, September 30, 2018	16,377,636	\$ 164	(295,615)	\$(1,554)	\$ 28,722	\$ (1,649)) \$ 25,683

The accompanying notes are an integral part of these condensed consolidated financial statements.

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (In thousands)

	Three-Months Ended September 30, 2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 70	\$ 75	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	391	390	
Bad debt expense	17	5	
Non-cash lease expense	12	—	
Loss on disposal of property, plant and equipment	—	(2)	
Stock-based compensation expense	101	121	
Deferred tax expense	33	2	
Changes in operating assets and liabilities:			
Accounts receivable	(447)	269	
Inventory	(39)	(72)	
Prepaid and other assets			