

HARVARD BIOSCIENCE INC

Form 10-Q

May 06, 2011

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-Q**

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 31, 2011

.. **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 001-33957

**HARVARD BIOSCIENCE, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Edgar Filing: HARVARD BIOSCIENCE INC - Form 10-Q

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**04-3306140**  
(IRS Employer  
Identification No.)

**84 October Hill Road, Holliston, MA**  
(Address of Principal Executive Offices)

**01746**  
(Zip Code)

**(508) 893-8999**

(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.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) 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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 1, 2011, there were 28,423,638 shares of Common Stock, par value \$0.01 per share, outstanding.

**Table of Contents**

**HARVARD BIOSCIENCE, INC.**

**Form 10-Q**

**For the Quarter Ended March 31, 2011**

**INDEX**

	<b>Page</b>
<b><u>PART I-FINANCIAL INFORMATION</u></b>	<b>3</b>
Item 1. <u>Financial Statements</u>	3
<u>Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010 (unaudited)</u>	3
<u>Consolidated Statements of Income for the Three Months Ended March 31, 2011 and 2010 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2011 and 2010 (unaudited)</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	21
Item 4. <u>Controls and Procedures</u>	21
<b><u>PART II-OTHER INFORMATION</u></b>	<b>22</b>
Item 1A. <u>Risk Factors</u>	22
Item 6. <u>Exhibits</u>	22
<b><u>SIGNATURES</u></b>	<b>23</b>

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****HARVARD BIOSCIENCE, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(unaudited, in thousands, except share and per share amounts)**

	March 31, 2011	December 31, 2010
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 20,088	\$ 19,704
Accounts receivable, net of allowance for doubtful accounts of \$284 and \$273, respectively	14,587	15,440
Inventories	17,928	15,832
Deferred income tax assets - current	5,384	5,441
Other receivables and other assets	2,890	2,149
Total current assets	60,877	58,566
Property, plant and equipment, net	3,343	3,146
Deferred income tax assets - non-current	6,174	6,125
Amortizable intangible assets, net	21,492	21,908
Goodwill	33,986	33,416
Other indefinite lived intangible assets	1,296	1,276
Other assets	375	360
Total assets	\$ 127,543	\$ 124,797
<b><u>Liabilities and Stockholders' Equity</u></b>		
Current liabilities:		
Notes payable	\$ 4	\$ 4
Accounts payable	5,725	4,921
Deferred revenue	532	451
Accrued income taxes payable	575	578
Accrued expenses	3,414	4,693
Other liabilities - current	663	649
Total current liabilities	10,913	11,296
Long-term debt, less current installments	17,107	18,009
Deferred income tax liabilities - non-current	1,011	954
Other liabilities - non-current	4,346	4,290
Total liabilities	33,377	34,549
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 5,000,000 shares authorized		

## Edgar Filing: HARVARD BIOSCIENCE INC - Form 10-Q

Common stock, par value \$0.01 per share, 80,000,000 shares authorized; 36,134,145 and 36,057,974 shares issued and 28,388,638 and 28,312,467 shares outstanding, respectively	361	361
Additional paid-in-capital	188,280	187,893
Accumulated deficit	(81,766)	(83,442)
Accumulated other comprehensive income	(2,041)	(3,896)
Treasury stock at cost, 7,745,507 common shares	(10,668)	(10,668)
<b>Total stockholders' equity</b>	<b>94,166</b>	<b>90,248</b>
 Total liabilities and stockholders' equity	 \$ 127,543	 \$ 124,797

See accompanying notes to unaudited consolidated financial statements.

**Table of Contents****HARVARD BIOSCIENCE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(unaudited, in thousands, except per share amounts)**

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Revenues	\$ 26,312	\$ 26,300
Cost of product revenues	13,943	13,518
<b>Gross profit</b>	<b>12,369</b>	<b>12,782</b>
Sales and marketing expenses	4,176	3,807
General and administrative expenses	4,355	4,261
Research and development expenses	1,267	1,207
Amortization of intangible assets	621	531
Total operating expenses	10,419	9,806
<b>Operating income</b>	<b>1,950</b>	<b>2,976</b>
Other income (expense):		
Foreign exchange	(21)	(26)
Interest expense	(195)	(155)
Interest income	15	42
Other, net	(74)	(15)
<b>Other expense, net</b>	<b>(275)</b>	<b>(154)</b>
Income before income taxes	1,675	2,822
Income tax (benefit) expense	(1)	601
<b>Net income</b>	<b>\$ 1,676</b>	<b>\$ 2,221</b>
Income per share:		
Basic earnings per common share	\$ 0.06	\$ 0.07
<b>Diluted earnings per common share</b>	<b>\$ 0.06</b>	<b>\$ 0.07</b>
Weighted average common shares:		
Basic	28,389	29,584
Diluted	29,497	29,941

See accompanying notes to unaudited consolidated financial statements.



**Table of Contents****HARVARD BIOSCIENCE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited, in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,676	\$ 2,221
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Stock compensation expense	552	558
Depreciation	307	300
(Gain) loss on sales of fixed assets	(15)	
Amortization of catalog costs	64	67
Provision for allowance for doubtful accounts	13	(2)
Amortization of intangible assets	621	531
Amortization of deferred financing costs	22	22
Deferred income taxes	71	34
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in accounts receivable	1,112	(481)
Increase in inventories	(1,757)	(36)
Increase in other receivables and other assets	(743)	(527)
Increase in trade accounts payable	696	240
Increase in accrued income taxes payable	69	758
Decrease in accrued expenses	(1,521)	(651)
Increase in deferred revenue	76	148
Decrease in other liabilities	(99)	(74)
<b>Net cash provided by operating activities</b>	<b>1,144</b>	<b>3,108</b>
<b>Cash flows used in investing activities:</b>		
Additions to property, plant and equipment	(444)	(204)
Additions to catalog costs	(125)	(324)
Proceeds from sales of property, plant and equipment	19	
<b>Net cash used in investing activities</b>	<b>(550)</b>	<b>(528)</b>
<b>Cash flows used in financing activities:</b>		
Repayments of debt	(901)	(1,508)
<b>Net cash used in financing activities</b>	<b>(901)</b>	<b>(1,508)</b>
Effect of exchange rate changes on cash	691	(617)
<b>Increase in cash and cash equivalents</b>	<b>384</b>	<b>455</b>
Cash and cash equivalents at the beginning of period	19,704	16,588
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 20,088</b>	<b>\$ 17,043</b>



Edgar Filing: HARVARD BIOSCIENCE INC - Form 10-Q

Supplemental disclosures of cash flow information:

Cash paid for interest	\$	188	\$	144
Net cash paid for income taxes	\$	600	\$	592

See accompanying notes to unaudited consolidated financial statements.

**Table of Contents**

**HARVARD BIOSCIENCE, INC. AND SUBSIDIARIES**

**Notes to Unaudited Consolidated Financial Statements**

**1. Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

The unaudited consolidated financial statements of Harvard Bioscience, Inc. and its wholly-owned subsidiaries (collectively, Harvard Bioscience, the Company, our or we ) as of March 31, 2011 and for the three months ended March 31, 2011 and 2010 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ) have been condensed or omitted pursuant to such rules and regulations. The December 31, 2010 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed with the SEC on March 16, 2011.

In the opinion of management, all adjustments, which include normal recurring adjustments necessary to present a fair statement of financial position as of March 31, 2011, results of operations for the three months ended March 31, 2011 and 2010 and cash flows for the three months ended March 31, 2011 and 2010, as applicable, have been made. The results of operations for the three months ended March 31, 2011 is not necessarily indicative of the operating results for the full fiscal year or any future periods.

***Summary of Significant Accounting Policies***

The accounting policies underlying the accompanying unaudited consolidated financial statements are those s