

CARDIONET INC
Form 10-Q
August 10, 2009
Table of Contents

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, 2009

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)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

33-0604557

(I.R.S. Employer Identification Number)

**227 Washington Street
Conshohocken, Pennsylvania 19428**

(Address of Principal Executive Offices, including Zip Code)

(610) 729-7000

(Registrant's Telephone Number, including Area Code)

N/A

(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 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

Edgar Filing: CARDIONET INC - Form 10-Q

As of August 3, 2009, 23,782,034 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

Table of Contents

CARDIONET, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2009

TABLE OF CONTENTS

| | | Page No. |
|------------------------|--|---------------------|
| <u>PART I.</u> | <u>FINANCIAL INFORMATION</u> | |
| <u>Item 1.</u> | <u>Financial Statements</u> | 4 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 13 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 16 |
| <u>Item 4T.</u> | <u>Controls and Procedures</u> | 17 |
| <u>PART II.</u> | <u>OTHER INFORMATION</u> | |
| <u>Item 1.</u> | <u>Legal Proceedings</u> | 17 |
| <u>Item 1A.</u> | <u>Risk Factors</u> | 17 |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 18 |
| <u>Item 3.</u> | <u>Defaults Upon Senior Securities</u> | 18 |
| <u>Item 4.</u> | <u>Submission of Matters to a Vote of Security Holders</u> | 18 |
| <u>Item 5.</u> | <u>Other Information</u> | 18 |
| <u>Item 6.</u> | <u>Exhibits</u> | 18 |
| <u>SIGNATURES</u> | | 19 |

Table of Contents

FORWARD-LOOKING STATEMENTS

This press release 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 words and terms 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 potential for re-evaluation from Highmark or the CMS on reimbursement rates, 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, changes to reimbursement levels for our products, 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 most recent Form 10-K filed with the Securities and Exchange Commission, as well as the information included in this document and as otherwise enumerated herein or therein. 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) June 30, 2009 | December 31, 2008 |
|---|------------------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 44,566 | \$ 58,171 |
| Accounts receivable, net of allowance for doubtful accounts of \$21,202 and \$14,426, at June 30, 2009 December 31, 2008, respectively | 52,786 | 39,334 |
| Due from related parties | 144 | 97 |
| Prepaid expenses and other current assets | 1,028 | 1,059 |
| Total current assets | 98,524 | 98,661 |
| Property and equipment, net | 25,225 | 18,766 |
| Intangible assets, net | 1,370 | 1,823 |
| Goodwill | 45,999 | 45,999 |
| Other assets | 343 | 524 |
| Total assets | \$ 171,461 | \$ 165,773 |
| Liabilities and stockholders equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 6,513 | \$ 3,838 |
| Accrued liabilities | 5,421 | 10,238 |
| Current portion of debt | 25 | 72 |
| Current portion of capital leases | 49 | 49 |
| Deferred revenue | 490 | 461 |
| Total current liabilities | 12,498 | 14,658 |
| Deferred rent | 1,646 | 965 |
| Other noncurrent liabilities | 16 | 33 |
| Total liabilities | 14,160 | 15,656 |
| Stockholders equity | | |
| Common stock, \$.001 par value; 200,000,000 shares authorized; 23,782,010 and 23,477,137 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively | 24 | 24 |
| Paid-in capital | 228,949 | 222,608 |

Edgar Filing: CARDIONET INC - Form 10-Q

| | | |
|--|------------|------------|
| Accumulated deficit | (71,672) | (72,515) |
| Total stockholders' equity | 157,301 | 150,117 |
| Total liabilities and stockholders' equity | \$ 171,461 | \$ 165,773 |

See accompanying notes.

Table of Contents

**CARDIONET, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands except share and per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------|--------------------------------|-----------|------------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | |
| Net patient service revenues | \$ 38,096 | \$ 29,189 | \$ 73,655 | \$ 54,437 |
| Other revenues | 168 | 151 | 330 | 366 |
| Total revenues | 38,264 | 29,340 | 73,985 | 54,803 |
| Cost of revenues | 11,993 | 9,834 | 23,831 | 19,353 |