

BIO IMAGING TECHNOLOGIES INC

Form 10-Q

August 11, 2006

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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 June 30, 2006

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File No. 1-11182

BIO-IMAGING TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of

11-2872047
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

826 Newtown-Yardley Road, Newtown, Pennsylvania 18940-1721

(Address of Principal Executive Offices)

(267) 757-3000

(Registrant's Telephone Number, Including Area Code)

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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 past 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Large accelerated filer: Accelerated filer: Non-accelerated filer:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes: No:

State the number of shares outstanding of each of the registrant's classes of common stock, as of July 31, 2006:

Class	Number of Shares
Common Stock, \$0.00025 par value	11,208,837

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

References in this Form 10-Q to Bio-Imaging, we, us, or our refer to Bio-Imaging Technologies, Inc., a Delaware corporation, and its subsidiaries.

Certain information and footnote disclosures required under generally accepted accounting principles in the United States of America have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission, although we believe that such financial disclosures are adequate so that the information presented is not misleading in any material respect. The following consolidated financial statements should be read in conjunction with the year-end consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

The results of operations for the interim periods presented in this Form 10-Q are not necessarily indicative of the results to be expected for the entire fiscal year.

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(unaudited)

	June 30,	December 31,
	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,592,969	\$ 10,553,668
Accounts receivable, net	6,575,998	6,631,477
Prepaid expenses and other current assets	1,265,796	991,840
Deferred income taxes	1,930,433	715,217
Total current assets	22,365,196	18,892,202
Property and equipment, net	5,377,633	5,108,693
Intangibles and goodwill	2,370,276	2,518,812
Deferred income taxes	643,104	1,844,171
Other assets	429,807	427,055
Total assets	\$ 31,186,016	\$ 28,790,933
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,281,318	\$ 1,680,922
Accrued expenses and other current liabilities	1,981,090	2,026,612
Deferred revenue	9,265,235	6,255,027
Current maturities of capital lease obligations	691,548	874,267
Total current liabilities	13,219,191	10,836,828
Long-term capital lease obligations	274,637	551,494
Other liability	213,794	205,787
Total liabilities	13,707,622	11,594,109
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock- \$.00025 par value; authorized 3,000,000 shares, 0 issued and outstanding at June 30, 2006 and at December 31, 2005		
Common stock - \$.00025 par value; authorized 18,000,000 shares, issued and outstanding 11,208,837 shares at June 30, 2006 and 11,167,737 shares at December 31, 2005	2,802	2,792
Additional paid-in capital	22,482,400	22,302,328
Accumulated deficit	(5,022,804)	(5,046,718)
Accumulated other comprehensive gain (loss)	15,996	(61,578)
Stockholders' equity	17,478,394	17,196,824
Total liabilities and stockholders' equity	\$ 31,186,016	\$ 28,790,933

See Notes to Consolidated Financial Statements

Table of Contents**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

	For the Six Months Ended	
	June 30,	
	2006	2005
Service revenues	\$ 15,212,945	\$ 10,978,401
Reimbursement revenues	4,311,547	3,083,040
Total revenues	19,524,492	14,061,441
Cost and expenses:		
Cost of revenues	14,048,306	12,174,223
General and administrative expenses	2,763,062	2,469,051
Sales and marketing expenses	2,888,836	2,312,309
Total cost and expenses	19,700,204	16,955,583
Loss from operations	(175,712)	(2,894,142)
Interest income	246,445	78,206
Interest expense	(30,876)	(62,665)
Income (Loss) before income tax provision (benefit)	39,857	(2,878,601)
Income tax provision (benefit)	15,943	(1,168,240)
Net income (loss)	\$ 23,914	\$ (1,710,361)
Basic income (loss) per common share	\$ 0.00	\$ (0.15)
Weighted average number of common shares	11,128,185	11,076,930
Diluted income (loss) per common share	\$ 0.00	\$ (0.15)
Weighted average number of dilutive common equivalent shares	12,082,635	11,076,930

See Notes to Consolidated Financial Statements

Table of Contents**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS**

(unaudited)

	For the Three Months Ended	
	June 30,	
	2006	2005
Service revenues	\$ 7,970,354	\$ 5,450,129
Reimbursement revenues	2,244,387	1,486,424
Total revenues	10,214,741	6,936,553
Cost and expenses:		
Cost of revenues	7,363,466	5,802,451
General and administrative expenses	1,391,816	1,216,991
Sales and marketing expenses	1,441,108	1,125,057
Total cost and expenses	10,196,390	8,144,499
Income (Loss) from operations	18,351	(1,207,946)
Interest income	128,912	42,382
Interest expense	(13,693)	(22,172)
Income (Loss) before income tax provision (benefit)	133,570	(1,187,736)
Income tax provision (benefit)	53,428	(475,094)
Net income (loss)	\$ 80,142	\$ (712,642)
Basic income (loss) per common share	\$ 0.01	\$ (0.06)
Weighted average number of common shares	11,202,712	11,102,700
Diluted income (loss) per common share	\$ 0.01	\$ (0.06)
Weighted average number of dilutive common equivalent shares	12,171,375	11,102,700

See Notes to Consolidated Financial Statements

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(unaudited)

	For the Six Months Ended	
	June 30,	
	2006	2005
Cash flows from operating activities:		
Net income (loss)	\$ 23,914	\$ (1,710,361)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,053,803	1,093,329
Provision for deferred income taxes	16,113	(1,292,593)
Bad debt benefit	(3,295)	(10,801)
Sales leaseback deferred gains		16,518
Non-cash stock based compensation expense	148,081	1,142
Loss on foreign currency options	40,606	
Changes in operating assets and liabilities:		
Decrease in accounts receivable	58,774	2,241,352
Increase in prepaid expenses and other current assets	(253,173)	(30,702)
(Increase) decrease in other assets	(2,752)	6,721
(Decrease) increase in accounts payable	(532,549)	577,365
Decrease in accrued expenses and other current liabilities	(45,522)	(556,506)
Increase in deferred revenue	3,010,208	1,136,385
Increase in other liabilities	8,007	60,104
Net cash provided by operating activities	3,522,215	1,531,953
Cash flows from investing activities:		
Purchases of property and equipment	(1,041,262)	(1,342,091)
Net cash used in investing activities	(1,041,262)	(1,342,091)
Cash flows from financing activities:		
Payments under equipment lease obligations	(459,576)	(386,280)
Premium paid for foreign currency options	(14,077)	(29,100)
Proceeds from sales leaseback		506,872
Proceeds from exercise of stock options	32,001	64,887
Net cash (used in) provided by financing activities	(441,652)	156,379
Net increase in cash and cash equivalents	2,039,301	346,241
Cash and cash equivalents at beginning of period	10,553,668	9,650,140
Cash and cash equivalents at end of period	\$ 12,592,969	\$ 9,996,381

See Notes to Consolidated Financial Statements

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BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 - Interim Financial Statements:

Basis of Presentation.

The financial statements included in this Form 10-Q have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2005.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods.

Interim results are not necessarily indicative of results for the full fiscal year.

Note 2 Stock-Based Compensation:

At June 30, 2006, we have one stock based employee compensation plan. The compensation cost that has been charged against income for that plan for the six months ended June 30, 2006 was \$148,081, of which \$108,459 is a result of the expensing of stock options pursuant to FAS 123R and \$0 for the six months ended June 30, 2005. The total windfall tax benefit that would be recognized in the income statement for share-based compensation arrangements was \$1,650,212 and \$0 for the six months ended June 30, 2006 and June 30, 2005, respectively. Since the Company has Net Operating Losses, no windfall tax benefit has been recognized for the six months ended June 30, 2006 and 2005.

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS 123R), which establishes the financial accounting and reporting standards for stock-based compensation plans. SFAS 123R requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors. The stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense on a straight-line basis over the requisite service period of the entire award. This period is generally the vesting period of the corresponding award. Basic and diluted net income per share for the three months ended June 30, 2006 of \$0.01 (basic) and \$0.01 (diluted) is \$0.00 less (basic) and \$0.00 less (diluted), respectively than if we had not adopted SFAS 123R. Basic and diluted net income per

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BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

share for the six months ended June 30, 2006 of \$0.00 (basic) and \$0.01 (diluted) is \$0.01 less (basic) and \$0.00 less (diluted), respectively, than if we had not adopted SFAS 123R. We have adopted the forfeiture rate on stock option grants issued after January 1, 2006 and the application of the forfeiture rate on unvested stock options at January 1, 2006 was immaterial to our financial statement and therefore, no cumulative gain was recognized.

Prior to January 1, 2006, we accounted for our stock-based employee compensation plan under the recognition and measurement principles of ABP Opinion No. 25. No stock based employee compensation cost was reflected in net income, as all options granted under this plan had an exercise price equal to or greater than the fair market value of the underlying common stock on the date of grant. The following table sets forth the computation of basic and diluted loss per share for the six months ended June 30, 2005 and illustrates the effect on net loss and loss per share as if we had applied the fair value recognition provisions of SFAS 123R to its stock plans:

**Six Months
Ended June 30,**