

CRYO CELL INTERNATIONAL INC

Form 10-Q

October 15, 2015

Table of Contents

U.S. 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 August 31, 2015**

**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 0-23386

CRYO-CELL INTERNATIONAL, INC.

(Exact name of Registrant as Specified in its Charter)

DELAWARE
(State or other Jurisdiction of

22-3023093
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

700 Brooker Creek Blvd. Oldsmar, FL 34677

(Address of Principal Executive Offices) (Zip Code)

Issuer's phone number, including area code: (813) 749-2100

(Former name, former address and former fiscal year, if changed since last report).

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 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 Not Applicable

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 definition of large accelerated filer, accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of October 10, 2015, 12,257,384 shares of \$0.01 par value common stock were issued and 9,067,409 were outstanding.

Table of Contents

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	PAGE
PART I - FINANCIAL INFORMATION (UNAUDITED)	
Item 1. Financial Statements	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Comprehensive Income</u>	4
<u>Consolidated Statements of Cash Flows</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	35
PART II - OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	37
<u>Item 1A. Risk Factors</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
<u>Item 3. Defaults Upon Senior Securities</u>	38
<u>Item 4. Mine Safety Disclosures</u>	38
<u>Item 5. Other Information</u>	38
<u>Item 6. Exhibits</u>	39
<u>SIGNATURES</u>	40

Table of Contents**CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

	August 31, 2015 (unaudited)	November 30, 2014
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 2,719,463	\$ 3,279,267
Restricted cash	204,289	204,141
Marketable securities	460,512	102,674
Accounts receivable (net of allowance for doubtful accounts of \$1,950,274 and \$1,976,966, respectively)	4,162,770	4,071,997
Deferred tax assets, current portion	1,339,663	
Prepaid expenses	447,591	710,754
Inventory, net	539,093	63,742
Other current assets	33,901	59,384
Total current assets	9,907,282	8,491,959
<u>Property and Equipment-net</u>	878,359	953,415
<u>Other Assets</u>		
Investment in Saneron CCEL Therapeutics, Inc.	684,000	684,000
Intangible assets, net	565,494	28,358
Goodwill	1,741,822	
Deferred tax assets, net of current portion	5,617,171	
Deposits and other assets, net	41,306	51,854
Total other assets	8,649,793	764,212
Total assets	\$ 19,435,434	\$ 10,209,586
<u>LIABILITIES AND STOCKHOLDERS DEFICIT</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 1,448,442	\$ 992,910
Accrued expenses	1,918,985	1,471,699
Current portion of note payable	303,609	
Deferred revenue	6,781,165	6,662,552
Total current liabilities	10,452,201	9,127,161

Other Liabilities

Deferred revenue, net of current portion	10,563,918	9,509,088
Note payable, net of current portion	947,246	
Long-term liability - revenue sharing agreements	2,300,000	2,300,000
Total other liabilities	13,811,164	11,809,088

Commitments and contingencies (Note 6)**Stockholders Deficit**

Preferred stock (\$.01 par value, 500,000 authorized and none issued and outstanding)		
Series A Junior participating preferred stock (\$.01 par value, 20,000 authorized and none issued and outstanding)		
Common stock (\$.01 par value, 20,000,000 authorized; 12,252,840 issued and 9,079,076 outstanding as of August 31, 2015 and 11,921,285 issued and 9,706,174 outstanding as of November 30, 2014)	122,529	119,213
Additional paid-in capital	28,215,135	27,842,106
Treasury stock, at cost	(8,059,353)	(5,112,648)
Accumulated other comprehensive income	143,318	
Accumulated deficit	(25,249,560)	(33,575,334)
Total stockholders deficit	(4,827,931)	(10,726,663)
Total liabilities and stockholders deficit	\$ 19,435,434	\$ 10,209,586

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

Table of Contents**CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2015	August 31, 2014	August 31, 2015	August 31, 2014
Revenue:				
Processing and storage fees	\$ 5,000,731	\$ 4,768,533	\$ 14,519,177	\$ 13,849,199
Licensee and royalty income	169,411	169,412	508,235	1,302,074
Product revenue	265,848		265,848	
Total revenue	5,435,990	4,937,945	15,293,260	15,151,273
Costs and Expenses:				
Cost of sales	1,507,393	1,499,739	4,158,767	4,323,805
Selling, general and administrative expenses	2,628,970	2,948,185	8,549,722	8,824,048
Abandonment of patents				25,649
Research, development and related engineering	9,952	17,852	32,471	50,543
Depreciation and amortization	25,359	43,211	60,702	131,415
Total costs and expenses	4,171,674	4,508,987	12,801,662	13,355,460
Operating Income	1,264,316	428,958	2,491,598	1,795,813
Other Income (Expense):				
Other income (expense)	(11,469)	195,010	(4,142)	230,253
Interest expense	(353,534)	(309,317)	(1,024,621)	(836,177)
Total other expense	(365,003)	(114,307)	(1,028,763)	(605,924)
Income before equity in losses of affiliate and income tax expense	899,313	314,651	1,462,835	1,189,889
Equity in losses of affiliate	(1,164)	(52,667)	(17,660)	(242,318)
Income before income tax expense	898,149	261,984	1,445,175	947,571
Income tax benefit (expense)	6,931,423	(25,412)	6,880,599	(98,114)
Net Income	\$ 7,829,572	\$ 236,572	\$ 8,325,774	\$ 849,457

Edgar Filing: CRYO CELL INTERNATIONAL INC - Form 10-Q

Net income per common share - basic	\$ 0.83	\$ 0.02	\$ 0.86	\$ 0.08
Weighted average common shares outstanding - basic	9,462,102	10,025,939	9,697,679	10,319,514
Net income per common share - diluted	\$ 0.80	\$ 0.02	\$ 0.84	\$ 0.08
Weighted average common shares outstanding - diluted	9,750,197	10,252,265	9,945,618	10,484,849
Other Comprehensive Income				
Unrealized (loss) gain on marketable securities	\$ (82,958)	\$	\$ 143,318	\$
Comprehensive Income	\$ 7,746,614	\$ 236,572	\$ 8,469,092	\$ 849,457

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

Table of Contents**CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Nine Months Ended	
	August 31, 2015	August 31, 2014
Net income	\$ 8,325,774	\$ 849,457
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	174,964	287,010
Abandonment of patents		25,649
Compensatory element of stock options	304,585	255,380
Provision for doubtful accounts	149,596	913,235
Equity in losses of affiliate	17,660	242,318
Deferred income tax benefit	(6,956,834)	
Changes in assets and liabilities:		
Accounts receivable	(240,369)	(1,527,397)
Notes receivable		550,782
Prepaid expenses	159,163	59,927
Inventory	53,746	15,973
Other current assets	25,483	29,145
Deposits and other assets, net	10,548	52,628
Accounts payable	455,532	(156,306)
Accrued expenses	(789,783)	(657,576)
Deferred revenue	1,173,443	371,511
Net cash provided by operating activities	2,863,508	1,311,736
Cash flows from investing activities:		
Release of restricted cash held in escrow	(148)	764,045
Purchases of property and equipment	(54,691)	(93,478)
Purchase of Prepacyte®-CB	(212,203)	
Purchases of marketable securities and other investments, net	(214,520)	(84,753)
Investment in affiliate		(150,000)
Net cash (used in) provided by investing activities	(481,562)	435,814
Cash flows from financing activities:		
Treasury stock purchases	(2,946,705)	(2,294,631)
Repayments of note payable	(49,145)	
Proceeds from the exercise of stock options	54,100	70,902
Net cash used in financing activities	(2,941,750)	(2,223,729)

Increase (decrease) in cash and cash equivalents	(559,804)	(476,179)
Cash and cash equivalents - beginning of period	3,279,267	3,925,156
Cash and cash equivalents - end of period	\$ 2,719,463	\$ 3,448,977
Supplemental non-cash investing activities:		
Unrealized gain on marketable securities	\$ 143,318	\$
Disposition of Cryo-Cell common stock held by Saneron, increase in investment	\$	\$ 74,764
Increase in note payable in connection with the purchased business	\$ 1,300,000	\$
Increase in accrued expenses in connection with the purchased business	\$ 586,675	\$
Decrease in prepaid expenses in connection with the purchased business	\$ 104,000	\$

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

Table of Contents

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2015

(Unaudited)

Note 1 Basis of Presentation and Significant Accounting Policies

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of August 31, 2015 and November 30, 2014, the related Consolidated Statements of Comprehensive Income for the three and nine months ended August 31, 2015 and August 31, 2014 and the Consolidated Statements of Cash Flows for the nine months ended August 31, 2015 and 2014 have been prepared by Cryo-Cell International, Inc. and its subsidiaries (the Company or Cryo-Cell) pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Certain financial information and note disclosures, which are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to those rules and regulations. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company s November 30, 2014 Annual Report on Form 10-K. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for all periods presented have been made. The results of operations for the three and nine months ended August 31, 2015 are not necessarily indicative of the results expected for any interim period