

MEDIFAST INC
Form 10-Q
November 14, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 September 30, 2006

OR

**o 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 0-23016

MEDIFAST, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of organization)

13-3714405
(I.R.S. employer
identification no.)

**11445 Cronhill Drive
Owings Mills, MD 21117
Telephone Number (410) 581-8042**

Indicate by checkmark 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Class	Outstanding at November 1, 2006
Common stock, \$.001 par value per share	13,545,231 shares

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MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
ASSETS		
Current assets:		
Cash	\$ 1,114,000	\$ 1,484,000
Accounts receivable-net of allowance for doubtful accounts of \$100,000	764,000	985,000
Income tax refund receivable	1,048,000	-
Inventory	8,003,000	5,475,000
Investment securities	2,420,000	2,700,000
Deferred compensation	640,000	525,000
Prepaid expenses and other current assets	2,927,000	3,273,000
Note receivable - current	230,000	-
Deferred tax asset	90,000	-
Total Current Assets	17,236,000	14,442,000
Property, plant and equipment - net	11,578,000	9,535,000
Trademarks and intangibles - net	4,690,000	6,508,000
Deferred tax asset, net of current portion	282,000	-
Note receivable, net of current portion	1,305,000	-
Other assets	37,000	60,000
TOTAL ASSETS	\$ 35,128,000	\$ 30,545,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,661,000	\$ 2,263,000
Income taxes payable	501,000	899,000
Line of credit	612,000	633,000
Current maturities of long-term debt	502,000	561,000
Deferred tax liability - current	-	90,000
Total current liabilities	4,276,000	4,446,000
Long-term debt, net of current portion	3,603,000	3,977,000
Deferred tax liability - non-current	-	101,000
Total Liabilities	7,879,000	8,524,000
Stockholders' Equity:		
Common stock; par value \$.001 per share; 20,000,000 authorized; 13,544,481 and 12,782,791 shares issued and outstanding, respectively	14,000	13,000
Additional paid-in capital	26,326,000	21,759,000
Accumulated other comprehensive income	208,000	282,000
Retained Earnings	5,787,000	1,149,000
	32,335,000	23,203,000
Less: cost of 240,749 and 210,902 shares of common stock in treasury	(1,565,000)	(1,075,000)
Less: unearned compensation	(3,521,000)	(107,000)

Total Stockholders' Equity	27,249,000	22,021,000
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 35,128,000	\$ 30,545,000

See accompanying notes to condensed consolidated financial statements.

MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended September 30,		Three Months Ended September	
	2006	2005	30,	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	\$ 58,779,000	\$ 29,865,000	\$ 19,642,000	\$ 10,985,000
Cost of sales	14,334,000	7,370,000	4,705,000	2,675,000
Gross Profit	44,445,000	22,495,000	14,937,000	8,310,000
Selling, general, and administration	36,880,000	19,163,000		