

VITAL IMAGES INC
Form 10-Q
November 09, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

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 0-22229

VITAL IMAGES, INC.

(Exact name of registrant as specified in its charter)

Minnesota

42-1321776

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

5850 Opus Parkway, Suite 300

Minnetonka, Minnesota

55343-4414

(Address of principal
executive offices)

(Zip Code)

(952) 487-9500

(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 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 (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

On November 2, 2010, there were 14,022,240 shares of the Registrant's common stock, par value \$.01 per share, outstanding.

Vital Images, Inc.
 Form 10-Q
 September 30, 2010

Table of Contents

	Page
<u>Part I. Financial Information</u>	
<u>Item 1.</u>	
<u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2010 and December 31, 2009 (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2010 and 2009 (Unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2010 and 2009 (Unaudited)</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>13</u>
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>23</u>
<u>Item 4.</u>	
<u>Controls and Procedures</u>	<u>23</u>
<u>Part II. Other Information</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	<u>24</u>
<u>Item 1A.</u>	
<u>Risk Factors</u>	<u>24</u>
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>24</u>
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	<u>24</u>
<u>Item 4.</u>	
<u>Reserved</u>	<u>24</u>
<u>Item 5.</u>	
<u>Other Information</u>	<u>24</u>
<u>Item 6.</u>	
<u>Exhibits</u>	<u>25</u>
<u>Signatures</u>	<u>26</u>

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

Vital Images, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)

(Unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$82,626	\$120,317
Marketable securities	42,805	9,673
Accounts receivable, net	14,249	12,196
Prepaid expenses and other current assets	2,607	2,686
Total current assets	142,287	144,872
Marketable securities	12,516	12,234
Property and equipment, net	4,115	5,485
Other intangible assets, net	112	382
Goodwill	9,089	9,089
Total assets	\$168,119	\$172,062
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$2,758	\$2,588
Accrued compensation	2,486	3,574
Accrued royalties	616	812
Other current liabilities	1,835	1,364
Deferred revenue	16,058	15,500
Total current liabilities	23,753	23,838
Deferred revenue	1,056	1,033
Deferred rent	145	469
Total liabilities	24,954	25,340
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock: \$0.01 par value; 5,000 shares authorized; none issued or outstanding	—	—
Common stock: \$0.01 par value; 40,000 shares authorized; 14,044 issued and outstanding as of September 30, 2010; and 14,330 shares issued and outstanding as of December 31, 2009	140	143
Additional paid-in capital	166,641	168,058
Accumulated deficit	(23,816)	(21,632)
Accumulated other comprehensive income	200	153
Total stockholders' equity	143,165	146,722
Total liabilities and stockholders' equity	\$168,119	\$172,062
The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.		

Table of Contents

Vital Images, Inc.
 Condensed Consolidated Statements of Operations
 (In thousands, except per share amounts)
 (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue:				
License fees	\$5,430	\$5,624	\$16,113	\$16,183
Maintenance and services	8,761	8,274	25,730	25,206
Hardware	683	402	1,764	1,074
Total revenue	14,874	14,300	43,607	42,463
Cost of revenue:				
License fees	619	749	2,591	2,277
Maintenance and services	2,422	2,351	7,318	6,996
Hardware	614	364	1,721	997
Total cost of revenue	3,655	3,464	11,630	10,270
Gross profit	11,219	10,836	31,977	32,193
Operating expenses:				