

SHARPS COMPLIANCE CORP
Form 10QSB
May 15, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 0-22390

SHARPS COMPLIANCE CORP.

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-2657168

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

9220 Kirby Drive, Suite 500, Houston, Texas

(Address of principal executive offices)

77054

(Zip Code)

(713) 432-0300

(Issuer's telephone number)

Check whether the issuer (1) has 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

12,565,183 shares of Common Stock, \$0.01 par value as of May 13, 2008.

Transitional Small Business Disclosure Format (check one): Yes No

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31,		June 30,
	2008		2007
	(Unaudited)		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,212,359	\$	2,134,152
Restricted cash	10,010		10,010
Accounts receivable, net of allowance for doubtful accounts of \$15,605 and \$15,793, respectively	1,261,729		1,330,731
Inventory	529,995		364,005
Prepaid and other assets	206,947		186,101
TOTAL CURRENT ASSETS	4,221,040		4,024,999
PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$867,156 and \$878,248, respectively	1,206,300		590,567
INTANGIBLE ASSETS , net of accumulated amortization of \$134,461 and \$120,327, respectively	125,570		75,002
TOTAL ASSETS	\$ 5,552,910	\$	4,690,568
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 490,449	\$	557,302
Accrued liabilities	222,451		613,851
Deferred revenue	1,040,338		883,678
Current maturities of capital lease obligations	-		1,809
TOTAL CURRENT LIABILITIES	1,753,238		2,056,640
LONG-TERM DEFERRED REVENUE	524,462		392,803
RENT ABATEMENT	-		72,000
TOTAL LIABILITIES	2,277,700		2,521,443
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY			
Common stock, \$0.01 par value per share; 20,000,000 shares authorized; 12,505,183 and 11,998,453 shares issued and outstanding, respectively	125,052		119,985
Additional paid-in capital	9,159,420		8,596,321
Accumulated deficit	(6,009,262)		(6,547,181)

TOTAL STOCKHOLDERS' EQUITY	3,275,210	2,169,125
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,552,910	\$ 4,690,568

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

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	For the Three Months Ended March 31,	
	2008	2007
	(Unaudited)	
REVENUES		
Product	\$ 2,852,682	\$ 2,803,128
Environmental services	75,018	90,523
TOTAL REVENUES	2,927,700	2,893,651
COSTS AND EXPENSES		
Cost of revenues	1,786,892	1,681,437
Selling, general and administrative	1,174,449	952,608
Special Charge	-	138,000
Depreciation and amortization	69,684	52,313
TOTAL COSTS AND EXPENSES	3,031,025	2,824,358
OPERATING INCOME (LOSS)	(103,325)	69,293
OTHER INCOME (EXPENSE)		
Interest income	20,565	16,133
Interest expense	-	(322)
Other income	500	-
TOTAL OTHER INCOME	21,065	15,811
INCOME (LOSS) BEFORE INCOME TAXES	(82,260)	85,104
INCOME TAXES	(1,329)	(3,134)
NET INCOME (LOSS)	\$ (83,589)	\$ 81,970
NET INCOME (LOSS) PER COMMON SHARE		
Basic	\$ (.01)	\$.01
Diluted	\$ (.01)	\$.01
WEIGHTED AVERAGE SHARES USED IN COMPUTING NET INCOME (LOSS) PER COMMON SHARE:		
Basic	12,478,315	11,552,360
Diluted	12,478,315	13,395,644

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

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	For the Nine Months	
	Ended March 31,	
	2008	2007
	(Unaudited)	
REVENUES		
Product	\$ 9,784,250	\$ 8,819,371
Environmental services	285,364	246,941
TOTAL REVENUES	10,069,614	9,066,312
COSTS AND EXPENSES		
Cost of revenues	5,890,095	5,194,825
Selling, general and administrative	3,514,876	2,831,152
Special Charge	-	138,000
Depreciation and amortization	193,301	142,002
TOTAL COSTS AND EXPENSES	9,598,272	8,305,979
OPERATING INCOME	471,342	760,333
OTHER INCOME (EXPENSE)		
Interest income	73,005	27,601
Interest expense	(44)	(4,500)
Other Income	500	32,500
TOTAL OTHER INCOME	73,461	55,601
INCOME BEFORE INCOME TAXES	544,803	815,934
INCOME TAXES	(6,884)	(21,180)
NET INCOME	\$ 537,919	\$ 794,754
NET INCOME PER COMMON SHARE		
Basic	\$.04	\$.07
Diluted	\$.04	\$.07
WEIGHTED AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE:		
Basic	12,231,333	10,918,402
Diluted	13,515,878	11,971,720

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

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended March 31,	
	2008	2007
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 537,919	\$ 794,754
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	193,301	142,002
Stock based compensation expense	44,212	1,762
Excess tax benefits from stock-based award activity	(16,064)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	69,002	(392,557)
Increase in inventory	(165,990)	(144,284)
Increase in prepaid and other assets	(20,846)	(86,595)
Increase (decrease) in accounts payable and accrued liabilities	(442,052)	180,771
Increase in deferred revenue	288,319	218,857
NET CASH PROVIDED BY OPERATING ACTIVITIES	487,801	714,710
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(472,205)	(250,098)
Purchase of treatment facility	(350,000)	-
Improvements to treatment facility	(44,832)	-
Additions to intangible assets	(64,702)	(2,207)
NET CASH USED IN INVESTING ACTIVITIES	(931,739)	(252,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(1,809)	(37,657)
Excess tax benefits from stock-based award activity	16,064	