

NOVAMED INC  
Form 10-Q  
November 09, 2010  
Table of Contents

# 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: 0-26625

**NOVAMED, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: NOVAMED INC - Form 10-Q

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**36-4116193**  
(I.R.S. Employer Identification No.)

**333 W. Wacker, Suite 1010, Chicago, Illinois 60606**

(Address of principal executive offices)

Registrant's telephone, including area code: **(312) 664-4100**

---

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 and 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 (§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 .

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 smaller 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

As of November 3, 2010, there were outstanding 7,957,731 shares of the registrant's common stock, par value \$.01 per share.

---

Table of Contents

NOVAMED, INC.

FORM 10-Q FOR QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

INDEX

	<b>PAGE</b>
<b>Part I. FINANCIAL STATEMENTS</b>	<b>3</b>
<u>Item 1. Interim Condensed Consolidated Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Balance Sheets September 30, 2010 and December 31, 2009</u>	3
<u>Condensed Consolidated Statements of Operations Three and nine months ended September 30, 2010 and 2009</u>	4
<u>Condensed Consolidated Statement of Stockholders Equity Nine months ended September 30, 2010</u>	5
<u>Condensed Consolidated Statements of Cash Flows Nine months ended September 30, 2010 and 2009</u>	6
<u>Notes to the Interim Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	25
<b>Part II. OTHER INFORMATION</b>	<b>26</b>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
<u>Item 6. Exhibits</u>	26
<u>Signatures</u>	27

Table of Contents**Part I. FINANCIAL INFORMATION**

## Item 1. Interim Condensed Consolidated Financial Statements (unaudited)

**NOVAMED, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands, except per share data)

	September 30, 2010 (unaudited)	December 31, 2009 (adjusted, Note 1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents, including \$1,968 and \$2,562 of restricted cash, respectively	\$ 3,158	\$ 3,884
Accounts receivable, net of allowances of \$16,399 and \$26,421, respectively	20,077	18,673
Notes and amounts due from related parties	473	473
Inventory	2,740	2,479
Prepaid expenses and deposits	1,499	1,644
Current tax assets	3,053	2,725
Current assets of discontinued operations		522
Total current assets	31,000	30,400
Property and equipment, net	16,081	18,140
Goodwill	194,282	193,268
Other intangible assets, net	2,277	2,465
Other assets, net	925	1,397
Noncurrent assets of discontinued operations		2,297
Total assets	\$ 244,565	\$ 247,967
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 11,108	\$ 9,488
Accrued expenses	5,521	5,110
Current maturities of long-term debt	8,541	8,217
Current liabilities of discontinued operations	8	439
Total current liabilities	25,178	23,254
Long-term debt, net of current maturities	26,205	42,713
Convertible subordinated debt, net of unamortized debt discount of \$9,625 and \$13,431 respectively	65,375	61,569
Other long-term liabilities	260	301
Deferred income taxes	16,757	14,118
Commitments and contingencies		
Stockholders' equity:		
NovaMed, Inc. stockholders' equity:		
Series E Junior Participating Preferred Stock		
Common stock, \$0.01 par value, 27,253,000 shares authorized, 10,365,162 and 10,111,172 shares issued at September 30, 2010 and December 31, 2009, respectively*	101	100
Additional paid-in-capital	115,364	113,561

Edgar Filing: NOVAMED INC - Form 10-Q

Accumulated deficit	(404)	(3,650)
Accumulated other comprehensive loss	(13)	(40)
Treasury stock, at cost, 2,407,631 and 2,395,414 shares at September 30, 2010 and December 31, 2009, respectively*	(19,059)	(18,943)
Total NovaMed, Inc. stockholders' equity	95,989	91,028
Noncontrolling interests	14,801	14,984
Total stockholders' equity	110,790	106,012
Total liabilities and stockholders' equity	\$ 244,565	\$ 247,967

---

\* Adjusted for 1-for-3 reverse stock split effective June 1, 2010 (Note 1)

The notes to the interim condensed consolidated financial statements are an integral part of these statements.

Table of Contents

## NOVAMED, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share data; unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net revenue:				
Surgical facilities	\$ 32,248	\$ 32,446	\$ 95,382	\$ 97,361
Product sales and other	6,311	5,740	17,786	17,409
Total net revenue	38,559	38,186	113,168	114,770
Operating expenses:				
Salaries, wages and benefits	11,234	11,327	33,677	34,099
Cost of sales and medical supplies	9,518	8,862	27,148	26,271
Selling, general and administrative	7,079	6,781	20,932	20,383
Depreciation and amortization	1,224	1,437	3,838	4,257
Total operating expenses	29,055	28,407	85,595	85,010
Operating income	9,504	9,779	27,573	29,760
Interest (income) expense, net	2,227	2,149	6,758	6,414
Other (income) expense, net	(4)	44	60	45
Income before income taxes	7,281	7,586	20,755	23,301
Income tax provision	1,186	1,306	3,353	3,984
Income from continuing operations	6,095	6,280	17,402	19,317
Loss from discontinued operations		(181)	(335)	(518)
Gain (loss) on disposal of discontinued operations	20		(1,554)	
Net income	6,115	6,099	15,513	18,799
Net income attributable to noncontrolling interests	4,279	4,237	12,267	13,086
Net income attributable to NovaMed, Inc.	\$ 1,836	\$ 1,862	\$ 3,246	\$ 5,713
Amounts attributable to NovaMed, Inc.:				
Income from continuing operations	\$ 1,816	\$ 2,043	\$ 5,135	\$ 6,231
Income (loss) from discontinued operations	20	(181)	(1,889)	(518)
Net income attributable to NovaMed, Inc.	\$ 1,836	\$ 1,862	\$ 3,246	\$ 5,713
Basic earnings per common share attributable to NovaMed, Inc.:				
Income from continuing operations	\$ 0.24	\$ 0.27	\$ 0.67	\$ 0.83
Loss from discontinued operations		(0.02)	(0.25)	(0.07)
Net income	\$ 0.24	\$ 0.25	\$ 0.42	\$ 0.76
Diluted earnings per common share attributable to NovaMed, Inc.:				
Income from continuing operations	\$ 0.23	\$ 0.26	\$ 0.65	\$ 0.80
Loss from discontinued operations		(0.02)	(0.24)	(0.07)
Net income	\$ 0.23	\$ 0.24	\$ 0.41	\$ 0.73

Edgar Filing: NOVAMED INC - Form 10-Q

Weighted average common shares outstanding *	7,722	7,573	7,686	7,543
Dilutive effect of stock options and restricted stock *	136	230	164	207
Diluted weighted average common shares outstanding *	7,858	7,803	7,850	7,750

---

\* Adjusted for 1-for-3 reverse stock split effective June 1, 2010 (Note 1)

The notes to the interim condensed consolidated financial statements are an integral part of these statements

Table of Contents

NOVAMED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(Dollars in thousands, unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total NovaMed, Inc. Stockholders Equity	Noncontrolling Interests
<b>Balance, December 31, 2009 *</b>	\$ 100	\$ 113,561	\$ (3,650)	\$ (40)	\$ (18,943)	\$ 91,028	\$ 14,984
Net income			3,246			3,246	