

ORASURE TECHNOLOGIES INC
Form 10-Q
May 06, 2010
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UNITED STATES
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 March 31, 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 001-16537

ORASURE TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

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DELAWARE
(State or Other Jurisdiction of

36-4370966
(IRS Employer

Incorporation or Organization)

Identification No.)

220 East First Street, Bethlehem, Pennsylvania
(Address of Principal Executive Offices)

18015
(Zip code)

(610) 882-1820

(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 (§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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of Common Stock, par value \$.000001 per share, outstanding as of May 3, 2010: 46,196,585

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Table of Contents**Item 1. FINANCIAL STATEMENTS****ORASURE TECHNOLOGIES, INC.****BALANCE SHEETS****(Unaudited)**

	MARCH 31, 2010	DECEMBER 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 69,374,434	\$ 74,933,630
Short-term investments	3,986,000	4,736,730
Accounts receivable, net of allowance for doubtful accounts of \$235,347 and \$256,572	12,103,249	13,693,340
Inventories	9,309,287	8,844,492
Prepaid expenses and other	3,381,242	2,609,518
Total current assets	98,154,212	104,817,710
PROPERTY AND EQUIPMENT, net	19,970,948	20,014,466
PATENTS AND PRODUCT RIGHTS, net	1,735,752	809,252
OTHER ASSETS	1,250,237	1,349,319
	\$ 121,111,149	\$ 126,990,747
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 500,000	\$ 509,761
Accounts payable	3,115,643	3,370,604
Accrued expenses and other	7,955,217	11,502,802
Total current liabilities	11,570,860	15,383,167
LONG-TERM DEBT	7,666,680	7,791,679
OTHER LIABILITIES	9,205	8,911
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.000001, 25,000,000 shares authorized, none issued		
Common stock, par value \$.000001, 120,000,000 shares authorized, 46,195,258 and 45,929,511 shares issued and outstanding	46	46
Additional paid-in capital	239,378,873	239,126,422
Accumulated other comprehensive loss	(230,655)	(230,992)
Accumulated deficit	(137,283,860)	(135,088,486)
Total stockholders equity	101,864,404	103,806,990
	\$ 121,111,149	\$ 126,990,747

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The accompanying notes are an integral part of these statements.

Table of Contents**ORASURE TECHNOLOGIES, INC.****STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended March 31,	
	2010	2009
REVENUES:		
Product	\$ 16,572,754	\$ 16,921,202
Licensing and product development	1,372,770	335,249
	17,945,524	17,256,451
COST OF PRODUCTS SOLD	6,541,462	6,284,379
Gross profit	11,404,062	10,972,072
OPERATING EXPENSES:		
Research and development	3,106,775	3,352,498
Sales and marketing	5,694,344	5,022,765
General and administrative	4,778,643	4,457,051
	13,579,762	12,832,314
Operating loss	(2,175,700)	(1,860,242)
INTEREST EXPENSE	(75,795)	(89,664)
INTEREST INCOME	42,116	335,370
FOREIGN CURRENCY GAIN (LOSS)	14,005	(3,425)
Loss before income taxes	(2,195,374)	(1,617,961)
INCOME TAX BENEFIT		
NET LOSS	\$ (2,195,374)	\$ (1,617,961)
LOSS PER SHARE:		
BASIC AND DILUTED	\$ (0.05)	\$ (0.04)
SHARES USED IN COMPUTING LOSS PER SHARE		
BASIC AND DILUTED	46,112,061	45,837,606

The accompanying notes are an integral part of these statements.

Table of Contents**ORASURE TECHNOLOGIES, INC.****STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three Months Ended March 31,	
	2010	2009
OPERATING ACTIVITIES:		
Net loss	\$ (2,195,374)	\$ (1,617,961)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	891,373	1,137,105
Depreciation and amortization	649,538	847,992
Reserve for excess and obsolete inventories	(89,464)	(145,669)
Changes in assets and liabilities:		
Accounts receivable	1,589,712	338,526
Inventories	(375,331)	932,822
Prepaid expenses and other assets	(672,642)	(221,000)
Accounts payable	(253,794)	(1,328,309)
Accrued expenses and other liabilities	(4,547,585)	(2,593,715)
Net cash used in operating activities	(5,003,567)	(2,650,209)
INVESTING ACTIVITIES:		
Purchases of short-term investments		(2,000,000)
Proceeds from maturities and redemptions of short-term investments	750,000	18,675,000
Purchases of property and equipment	(532,241)	(453,399)
Net cash provided by investing activities	217,759	16,221,601
FINANCING ACTIVITIES:		
Repayments of long-term debt	(134,760)	(139,366)
Proceeds from issuance of common stock		16,402
Withholding and retirement of common stock	(638,628)	(314,881)
Purchase and retirement of common stock		(308,605)
Net cash used in financing activities	(773,388)	(746,450)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,559,196)	12,824,942
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	74,933,630	39,565,218
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 69,374,434	\$ 52,390,160
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	\$ 85,645	\$ 92,123
Income taxes	\$ 10,000	\$ 27,000

The accompanying notes are an integral part of these statements.

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ORASURE TECHNOLOGIES, INC.

Notes to Financial Statements

(Unaudited)

1. The Company

We develop, manufacture and market oral fluid diagnostic products and specimen collection devices using our proprietary oral fluid technologies, as well as other diagnostic products, including *in vitro* diagnostic tests that are used on other specimen types, and other medical devices used for the removal of warts and other benign skin lesions by cryosurgery, or freezing. Our diagnostic products include tests which are performed on a rapid basis at the point of care and tests which are processed in a laboratory. These products are sold in the United States and internationally to various clinical laboratories, hospitals, clinics, community-based organizations and other public health organizations, distributors, government agencies, physicians' offices, and commercial and industrial entities. One of our products has been sold in the over-the-counter or consumer retail markets in the United States, Canada, Europe, Mexico and Australia.

The current economic downturn, including disruptions in the capital and credit markets as well as in state and local governmental funding, may continue for the foreseeable future and intensify, and could adversely affect our results of operations, cash flows and financial condition or those of our customers and suppliers. These circumstances could adversely affect our access to liquidity needed to conduct or expand our business or conduct acquisitions or make other discretionary investments. They may also adversely impact the capital needs of our customers and suppliers, which, in turn, could adversely affect their ability to purchase our products or supply us with necessary equipment, raw materials or components. This could adversely affect our results of operations, cash flows and financial condition. The current weak business climate could cause longer sales cycles and slower growth, and could expose us to increased business or credit risk in dealing with customers or suppliers adversely affected by economic conditions. Our ability to collect accounts receivable may be delayed or precluded if our customers are unable to pay their obligations.

2. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying financial statements are unaudited and, in the opinion of management, include all adjustments (consisting only of normal and recurring adjustments) necessary for a fair presentation of our financial position and results of operations for these interim periods. These financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. Results of operations for the three months ended March 31, 2010 are not necessarily indicative of the results of operations expected for the full year.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, inventories and intangible assets, as well as calculations related to contingencies, accruals and indemnifications, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis, using historical experience and other factors, which management believes to be reasonable under the circumstances, including the current economic environment. We adjust such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity, foreign currency, and energy markets, and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in those future periods.

Cash and Cash Equivalents. We consider all highly liquid investments with a purchased maturity of ninety days or less to be cash equivalents. As of March 31, 2010 and December 31, 2009, cash equivalents consisted of money market accounts.

Table of Contents**ORASURE TECHNOLOGIES, INC.****Notes to Financial Statements (Continued)****(Unaudited)**

Short-term Investments. We consider all short-term investments to be available-for-sale securities. These securities are comprised of certificates of deposits and corporate bonds, all with purchased maturities greater than ninety days. Available-for-sale securities are carried at fair value, based upon quoted market prices, with unrealized gains and losses reported in stockholders' equity as a component of accumulated other comprehensive loss.

The following is a summary of our available-for-sale securities at March 31, 2010 and December 31, 2009:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2010				
Certificates of deposit	\$ 3,986,000	\$	\$	\$ 3,986,000
Total available-for-sale securities	\$ 3,986,000	\$	\$	\$ 3,986,000
December 31, 2009				
Certificates of deposit	\$ 3,986,000	\$	\$	\$ 3,986,000
Corporate bonds	750,278	452		750,730
Total available-for-sale securities	\$ 4,736,278	\$ 452	\$	\$ 4,736,730
At March 31, 2010, maturities of our available-for-sale securities were as follows:				
Less than one year	\$ 1,991,000	\$	\$	\$ 1,991,000
One to two years	1,995,000			1,995,000