

INTEGRAMED AMERICA INC
Form 10-Q
November 09, 2010

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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 No. 0-20260

IntegraMed America, Inc.
(Exact name of Registrant as specified in its charter)

Delaware 06-1150326

(State or other
jurisdiction of (IRS employer
incorporation or identification
organization) no.)

Two Manhattanville Road
Purchase, NY 10577

(Address of principal executive
offices) (Zip code)

(914) 253-8000
(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 (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 x No "

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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 <input type="checkbox"/>	Accelerated Filer <input checked="" type="checkbox"/>
Non-Accelerated filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes No

The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding on October 27, 2010 was approximately 11,724,300.

INTEGRAMED AMERICA, INC.
FORM 10-Q

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OF THE SARBANES-OXLEY ACT OF 2002

EXHIBITS

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INTEGRAMED AMERICA, INC.
CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except share amounts)

	September 30, 2010 (unaudited)	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 52,173	\$ 28,865
Patient and other receivables, net	7,404	6,964
Deferred taxes	2,969	2,883
Other current assets	9,590	7,653
Total current assets	72,136	46,365
Fixed assets, net	17,122	16,705
Intangible assets, Business Service Rights, net	23,239	24,210
Goodwill	30,334	30,334
Trade names and trademarks	4,442	4,442
Other assets	1,825	2,253
Total assets	\$ 149,098	\$ 124,309
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,839	\$ 2,846
Accrued liabilities	17,353	15,119
Current portion of long-term notes payable and other obligations	3,791	11,317
Due to Fertility Medical Practices	12,442	6,424
Attain IVF deferred revenue and other patient deposits	16,585	13,362
Total current liabilities	53,010	49,068
Deferred and other tax liabilities	2,177	2,199
Long-term notes payable and other obligations	11,858	14,849
Total liabilities	67,045	66,116
Commitments and Contingencies		
Shareholders' equity:		
Common Stock, \$.01 par value – 20,000,000 shares authorized at September 30, 2010 and 15,000,000 at December 31, 2009, 11,731,183 and 8,831,558 shares issued at September 30, 2010 and December 31, 2009, respectively	117	88
Capital in excess of par	75,933	56,354
Other comprehensive loss	(82)	(188)
Treasury stock, at cost – 6,848 and 46,408 shares at September 30, 2010 and December 31, 2009, respectively	(64)	(375)
Retained earnings	6,149	2,314

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Total shareholders' equity	82,053	58,193
Total liabilities and shareholders' equity	\$ 149,098	\$ 124,309

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
(all amounts in thousands, except per share amounts)
(unaudited)

	For the Three-month period Ended September 30,		For the Nine-month period Ended September 30,	
	2010	2009	2010	2009
Revenues, net				
Attain Fertility Centers	\$45,899	\$40,977	\$135,523	\$124,780
Vein Clinics	14,658	12,621	43,826	37,288
Total revenues	60,557	53,598	179,349	162,068
Costs of services and sales				
Attain Fertility Centers	41,263	36,930	122,053	112,361
Vein Clinics	14,546	11,626	40,891	34,257
Total costs of services and sales	55,809	48,556	162,944	146,618
Contribution				
Attain Fertility Centers	4,636	4,047	13,470	12,419
Vein Clinics	112	995	2,935	3,031
Total contribution	4,748	5,042	16,405	15,450
General and administrative expenses				
General and administrative expenses	2,961	2,764	9,403	9,333
Interest income	(33)	(44)	(103)	(187)
Interest expense	192	303	685	869
Total other expenses	3,120	3,023	9,985	10,015
Income before income taxes	1,628	2,019	6,420	5,435
Income tax provision	529	791	2,585	2,173
Net income	\$1,099	\$1,228	\$3,835	\$3,262
Basic and diluted net earnings per share of Common Stock				
Basic earnings per share	\$0.09	\$0.14	\$0.34	\$0.37
Diluted earnings per share	\$0.09	\$0.14	\$0.34	\$0.37
Weighted average shares – basic				
Weighted average shares – basic	11,718	8,776	11,264	8,770
Weighted average shares - diluted				
Weighted average shares - diluted	11,771	8,839	11,314	8,833

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(all amounts in thousands)
(unaudited)

	Common Stock			Accumulated Comprehensive Income (loss)	Treasury Shares		Retained Earnings	Total Equity
	Shares	Amount	Capital in Excess of Par		Shares	Amount		
Balance at December 31, 2009	8,832	\$88	\$56,354	\$ (188)	(46)	\$(375)	\$2,314	\$58,193
Stock awards granted, net	168	2	2	—	(45)	(346)	—	(342)
Restricted stock award and stock option expense amortization	—	—	1,068	—	—	—	—	1,068
Stock options exercised and related tax benefits	15	—	132	—	—	—	—	132
Unrealized gain on hedging transaction, net	—	—	—	106	—	—	—	106
Secondary Offering	2,800	28	19,034	—	—	—	—	19,062
Retire Treasury Stock	(84)	(1)	(657)	—	84	657	—	(1)
Net income for the nine months ended September 30, 2010	—	—	—	—	—	—	3,835	3,835
Balance at September 30, 2010	11,731	\$117	\$75,933	\$ (82)	(7)	\$(64)	\$6,149	\$82,053

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(all amounts in thousands)
(unaudited)

	For the Three-month period Ended September 30,		For the Nine-month period Ended September 30,	
	2010	2009	2010	2009
Cash flows from operating activities:				
Net income	\$ 1,099	\$ 1,228	\$ 3,835	\$ 3,262
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,695	1,784	5,079	5,382
Stock-based compensation	339	298	1,071	1,038
Changes in assets and liabilities —				
Decrease (increase) in assets				
Patient and other accounts receivable	835	56	(440)	(909)
Other current assets	(1,374)	395	(1,937)	400
Other assets	203	(408)	435	(985)
(Decrease) increase in liabilities				
Accounts payable	630	185	(7)	(804)
Accrued liabilities	(1,029)	274	1,887	841
Due to fertility medical practices	531	410	6,018	4,197
Deferred revenue and other patient deposits	837	1,219	3,223	1,759
Net cash provided by operating activities	3,766	5,441	19,164	14,181
Cash flows from investing activities:				
Purchase of fixed assets, net	(1,372)	(806)	(4,525)	(4,466)
Net cash used in investing activities	(1,372)	(806)	(4,525)	(4,466)
Cash flows from financing activities:				
Debt repayments	(789)	(914)	(10,423)	(2,835)
Common Stock transactions, net	79	11	19,092	31
Net cash provided by (used in) financing activities	(710)	(903)	8,669	(2,804)
Net increase in cash and cash equivalents	1,684	3,732	23,308	6,911
Cash and cash equivalents at beginning of period	50,489	31,454	28,865	28,275
Cash and cash equivalents at end of period	\$ 52,173	\$ 35,186	\$ 52,173	\$ 35,186
Supplemental Information:				
Interest paid	244	292	780	812
Income taxes paid	1,127	65	2,172	3,658

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 — INTERIM RESULTS:

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to the Securities and Exchange Commission (SEC) rules related to Form 10-Q and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated financial position at September 30, 2010, and the consolidated results of operations and cash flows for the interim periods presented. Operating results for the interim period are not necessarily indicative of results that may be expected for the year ending December 31, 2010. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in IntegraMed America's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2009.

NOTE 2 — EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three and nine month periods ended September 30, 2010 and 2009 is as follows (000's omitted, except for per share amounts):

	For the three-month period		For the nine-month period	
	Ended September 30, 2010	2009	Ended September 30, 2010	2009
Numerator				
Net Income	\$1,099	\$1,228	\$3,835	\$3,262
Denominator				
Weighted average shares outstanding (basic)	11,718	8,776	11,264	8,770
Effect of dilutive options and warrants	53	63	50	63
Weighted average shares and dilutive potential Common shares (diluted)	11,771	8,839	11,314	8,833
Basic earnings per share	\$0.09	\$0.14	\$0.34	\$0.37
Diluted earnings per share	\$0.09	\$0.14	\$0.34	\$0.37

For the three and nine month periods ended September 30, 2010, there were 18,321 and 131,458, respectively, outstanding options to purchase shares of Common Stock which were excluded from the computation of the diluted earnings per share amount as the exercise prices of these outstanding options were greater than the average market

price of the shares of Common Stock.

For both the three and nine month periods ended September 30, 2009, there were 127,845 outstanding options to purchase shares of Common Stock which were excluded from the computation of the diluted earnings per share amount as the exercise prices of these outstanding options were greater than the average market price of the shares of Common Stock.

As of September 30, 2010, there were 11,731,183 shares of common stock issued of which 11,724,335 were outstanding and 6,848 held as treasury shares. As of December 31, 2009, there were 8,831,558 shares of common stock issued of which 8,785,150 were outstanding and 46,408 held as treasury shares.

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 3 — SEGMENT INFORMATION:

We currently report two major operating segments and a corporate office that provides shared services. These two operating segments reflect our organizational structure, lines of responsibility and management's perspective of the organization. Each segment includes an element of overhead and administrative costs specifically associated with its operations, with the corporate shared services group responsible for support functions generic to both segments.

In the second quarter of 2010, management made a determination to combine the Fertility Centers Segment with the Consumer Services Segment into a new division, Attain Fertility Centers, under a new division president. Prior to that time, we had been reporting under three segments: Fertility Centers, Consumer Services, and Vein Clinics. This change was made to more closely align the business objective and operations of the two activities and will be operated and managed as a single segment on an ongoing basis.

Performance by segment, for the three and nine month periods ended September 30, 2010 and 2009 are presented below (000's omitted):

	Attain Fertility Centers	Vein Clinics	Corp G&A	Consolidated
For the three months ended September 30, 2010				
Total Revenues, net	\$45,899	\$14,658	\$0	\$ 60,557
Cost of Services and Sales	41,263	14,546	0	55,809
Contribution	4,636	112	0	4,748
Operating margin	10.1 %	0.8 %	0.0 %	7.8 %
General and Administrative	0	0	2,961	2,961
Interest (income) expense	(33)	0	192	159
Income before income taxes	\$4,669	\$112	\$(3,153)	\$ 1,628
Depreciation expense included above	\$933	\$287	\$151	\$ 1,371
Capital Expenditures	\$385	\$820	\$167	\$ 1,372
Total Assets	\$40,395	\$52,402	\$56,301	\$ 149,098
For the nine months ended September 30, 2010				
Total Revenues, net	\$135,523	\$43,826	\$0	\$ 179,349
Cost of Services and Sales	122,053	40,891	0	162,944
Contribution	13,470	2,935	0	16,405
Operating margin	9.9 %	6.7 %	0.0 %	9.1 %
General and Administrative	0	0	9,403	9,403
Interest (income) expense	(103)	0	685	582
Income before income taxes	\$13,573	\$2,935	\$(10,088)	\$ 6,420

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Depreciation expense included above	\$2,833	\$785	\$490	\$ 4,108
Capital Expenditures	\$2,105	\$2,001	\$419	\$ 4,525
Total Assets	\$40,395	\$52,402	\$56,301	\$ 149,098

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INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

	Attain Fertility Centers	Vein Clinics	Corp G&A	Consolidated
For the three months ended September 30, 2009				
Total Revenues, net	\$40,977	\$12,621	\$0	\$ 53,598
Cost of Services and Sales	36,930	11,626	0	48,556
Contribution	4,047	995	0	5,042
Operating margin	9.9	%	7.9	%
			0.0	%
General and Administrative			2,764	2,764
Interest (income) expense	(44)	303	259
Income before income taxes	\$4,091	\$995	\$(3,067) \$ 2,019
Depreciation expense included above	\$1,018	\$221	\$222	\$ 1,461
Capital Expenditures	\$364	\$324	\$121	\$ 809
Total Assets	\$35,897	\$49,556	\$43,003	\$ 128,456
For the nine months ended September 30, 2009				
Total Revenues, net	\$124,780	\$37,288	\$0	\$ 162,068
Cost of Services and Sales	112,361	34,257	0	146,618
Contribution	12,419	3,031	0	15,450
Operating margin	10.0	%	8.1	%
			0.0	%
General and Administrative			9,333	9,333
Interest (income) expense	(187)	869	682
Income before income taxes	\$12,606	\$3,031	\$(10,202) \$ 5,435
Depreciation expense included above	\$3,108	\$640	\$663	\$ 4,411
Capital Expenditures	\$3,084	\$705	\$679	\$ 4,468
Total Assets	\$35,897	\$49,556	\$43,003	\$ 128,456

NOTE 4 – COST OF SERVICE:

Our cost of service and sales are comprised of all costs necessary to operate Partner fertility centers and vein care clinics as well as payments to contracted physicians for medical services associated with our Attain IVF programs. A tabular break-down of these costs are presented below, (000's):

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

	Attain Fertility Centers	Vein Clinics	Total Cost of Services
For the three months ended September 30, 2010			
Employee Salaries & Benefits	\$23,118	\$6,827	\$29,945
Professional Service Fees	1,753	—	1,753
Clinical Supplies & Donor Fee	3,881	1,439	5,320
Office Expenses	1,485	768	2,253
Occupancy Costs	3,339	653	3,992
Depreciation/Lease Expense	1,254	288	1,542
Marketing and Promotion	830	2,302	3,132
Outside Services	941	—	941
Insurance/Taxes	1,087	135	1,222
Bad Debt	335	335	670
Other	1,612	191	1,803
Subtotal	\$39,635	\$12,938	\$52,573
Division Overhead	1,628	1,608	3,236
Total Cost of Services and Sales	\$41,263	\$14,546	\$55,809

	Attain Fertility Centers	Vein Clinics	Total Cost of Services
For the three months ended September 30, 2009			
Employee Salaries & Benefits	\$17,002	\$5,935	\$22,937
Professional Service Fees	5,214	—	5,214
Clinical Supplies & Donor Fee	3,136	1,301	4,437
Office Expenses	940	409	1,349
Occupancy Costs	3,060	464	3,524
Depreciation/Lease Expense	1,608	193	1,801
Marketing and Promotion	1,001	1,699	2,700
Outside Services	851	—	851
Insurance/Taxes	1,041	197	1,238
Bad Debt	767	213	980
Other	1,145	116	1,261
Subtotal	\$35,765	\$10,527	\$46,292
Division Overhead	1,165	1,099	2,264
Total Cost of Services and Sales	\$36,930	\$11,626	\$48,556

INTEGRAMED AMERICA, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

	Attain Fertility Centers	Vein Clinics	Total Cost of Services
For the nine months ended September 30, 2010			
Employee Salaries & Benefits	\$53,691	\$20,261	\$73,952
Professional Service Fees	19,701	—	19,701
Clinical Supplies & Donor Fee	11,063		