

BIO IMAGING TECHNOLOGIES INC

Form 10-Q

May 08, 2009

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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, 2009**

**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. 001-11182  
BIO-IMAGING TECHNOLOGIES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

11-2872047

(State or Other Jurisdiction of  
Incorporation or Organization)

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

826 Newtown-Yardley Road, Newtown, Pennsylvania

18940-1721

(Address of Principal Executive Offices)

(Zip Code)

(267) 757-3000

(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 twelve 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  Smaller reporting company   
(Do not check if a 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:

State the number of shares outstanding of each of the registrant's classes of common stock, as of April 30, 2009:

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Class	Number of Shares
Common Stock, \$0.00025 par value	14,357,253

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**PART I. FINANCIAL INFORMATION.**

**Item 1. Financial Statements.**

References in this Quarterly Report on Form 10-Q to Bio-Imaging, we, us, or our refer to Bio-Imaging Technologies, Inc., a Delaware corporation, and its subsidiaries, doing business as BioClinica.

Certain information and footnote disclosures required under generally accepted accounting principles (GAAP) in the United States of America have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission, although we believe that such financial disclosures are adequate so that the information presented is not misleading in any material respect. The following consolidated financial statements should be read in conjunction with the year-end consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The results of operations for the interim periods presented in this Quarterly Report on Form 10-Q are not necessarily indicative of the results to be expected for the entire fiscal year.

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**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited)

(in thousands)	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,883	\$ 14,265
Accounts receivable, net	9,712	11,982
Prepaid expenses and other current assets	2,035	2,315
Assets held for sale		500
Deferred income taxes	2,831	3,084
Total current assets	29,461	32,146
Property and equipment, net	7,130	7,022
Intangibles, net	1,939	2,058
Goodwill	27,391	27,391
Other assets	497	591
Total assets	\$ 66,418	\$ 69,208

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current liabilities:		
Accounts payable	\$ 3,603	\$ 3,832
Accrued expenses and other current liabilities	3,624	5,236
Deferred revenue	13,387	15,106
Current maturities of capital lease obligations	35	54
Total current liabilities	20,649	24,228
Long-term capital lease obligations	64	65
Deferred income tax	888	927
Other liabilities	585	576
Total liabilities	22,186	25,796

## Stockholders' equity:

Preferred stock \$0.00025 par value; authorized 3,000,000 shares, 0 issued and outstanding at March 31, 2009 and at December 31, 2008

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Common stock \$0.00025 par value; authorized 18,000,000 shares, issued and outstanding 14,356,253 shares at March 31, 2009 and 14,341,403 shares at December 31, 2008

Additional paid-in capital	42,474	42,270
Retained earnings	1,866	1,080
Accumulated other comprehensive (income) loss	(112)	58
Total stockholders' equity	44,232	43,412
Total liabilities and stockholders' equity	\$ 66,418	\$ 69,208

See Notes to Consolidated Financial Statements

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**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

(in thousands, except per share data)	For the Three Months Ended March 31,	
	2009	2008
Service revenues	\$ 14,475	\$ 11,023
Reimbursement revenues	2,595	3,077
Total revenues	17,070	14,100
Cost and expenses:		
Cost of service revenues	9,061	6,343
Cost of reimbursement revenues	2,595	3,077
Sales and marketing expenses	2,156	1,468
General and administrative expenses	1,917	1,539
Amortization of intangible assets related to acquisitions	119	24
Total cost and expenses	15,848	12,451
Income from continuing operations before interest and taxes	1,222	1,649
Interest income	22	153
Interest expense	(2)	
Income tax provision	(456)	(666)
Income from continuing operation, net of taxes	786	1,136
Loss from discontinued operations, net of taxes		312
Net income	\$ 786	\$ 824
Basic earnings per share:		
Income from continuing operations	\$ 0.05	\$ 0.09
Loss from discontinued operations	\$	\$ (0.03)
Net income	\$ 0.05	\$ 0.06

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Diluted earnings per share:		
Income from continuing operations	\$ 0.05	\$ 0.09
Loss from discontinued operations	\$	\$ (0.03)
Net income	\$ 0.05	\$ 0.06
Weighted average shares used to calculate earnings per share:		
Basic	\$ 14,341	\$ 12,021
Diluted	\$ 15,085	\$ 12,964

See Notes to Consolidated Financial Statements

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**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

(in thousands)	For the Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 786	\$ 824
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	486	843
Provision for deferred income taxes	854	242
Bad debt recovery	(11)	(17)
Stock based compensation expense	204	145
Loss from discontinued operations		312
Changes in operating assets and liabilities, net of acquisitions:		
(Decrease) increase in accounts receivable	2,268	(795)
Decrease (increase) in prepaid expenses and other current assets	268	(129)
Decrease in other assets	90	15
(Decrease) increase in accounts payable	(365)	526
Decrease in accrued expenses and other current liabilities	(2,287)	(308)
(Decrease) increase in deferred revenue	(1,723)	1,065
Decrease in other liabilities	(1)	(9)
Decrease in net assets held for sale		120
Cash provided by activities from continuing operations	569	2,834
Cash used by discontinued operations		(433)
Net cash provided by operating activities	569	2,401
Cash flows from investing activities:		
Purchases of property and equipment	(397)	(969)
Net cash received for sale of assets of discontinued operations	500	
Net cash paid for acquisition		(8,257)
Net cash provided by (used in) investing activities from continuing operations	103	(9,226)
Purchase of plant, property and equipment for discontinued operations		(236)
Net cash provided by (used in) investing activities	103	(9,462)
Cash flows from financing activities:		
Payments under equipment lease obligations	(19)	(56)
Excess tax benefit related to stock options		63
Proceeds from exercise of stock options		39
Net cash (used in) provided by financing activities from continuing operations	(19)	46

Effect of exchange rate changes on cash	(35)	209
Net increase (decrease) in cash and cash equivalents	618	(6,806)
Cash and cash equivalents at beginning of period	14,265	17,915
Cash and cash equivalents at end of period	\$ 14,883	\$ 11,109
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 2	\$ 1
Cash paid during the period for income taxes	\$ 158	\$ 1,034

See Notes to Consolidated Financial Statements

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**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

**Note 1 Interim Financial Statements**

*Basis of Presentation.*

The financial statements included in this Quarterly Report on Form 10-Q have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2008.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods.

Interim results are not necessarily indicative of results for the full fiscal year.

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. We have reclassified the amortization of intangible assets related to acquisitions as a separate component of the consolidated statements of income.

The Balance Sheet at December 31, 2008 includes Phoenix Data Systems, Inc., a Pennsylvania corporation, hereinafter referred to as PDS, due to the acquisition of PDS by Bio-Imaging on March 24, 2008. The Consolidated Statement of Income for the three months ended March 31, 2008 excludes the financial results of PDS from the acquisition date of March 24, 2008 through March 31, 2008 due to immateriality of PDS's results of operations for that period.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

*Functional Currency.*

The functional currency for our French and Netherlands operations is the Euro based on our initial and periodic evaluations of economic factors as set forth in Financial Accounting Standards Board (FASB) Statement No. 52,

Foreign Currency Translation (SFAS 52).

**Note 2 Stockholders Equity Rollforward**

The following summarizes the activity of the Stockholders equity accounts for the period from December 31, 2008 through March 31, 2009:

(in thousands)	<b>Common Stock Shares</b>	<b>Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings (Accumulated Deficit)</b>	<b>Accumu- lated Other Compre- hensive Income</b>	<b>Stockholders Equity</b>
Balance at December 31, 2008	14,341	\$ 4	\$ 42,270	\$ 1,080	\$ 58	\$ 43,412
Restricted shares issued	15		(31)			(31)
Stock based compensation			235			235
Equity adjustment from foreign currency translation					(170)	(170)
Net income				786		786
Balance at March 31, 2009	14,356	\$ 4	\$ 42,474	\$ 1,866	\$ (112)	\$ 44,232

**Note 3 Earnings Per Share**

Basic income per common share for the three months ended March 31, 2009 and 2008 was calculated based upon net income divided by the weighted average number of shares of our common stock outstanding during the period. Diluted income per share for the three months ended March 31, 2009 and 2008 was calculated based upon net income divided by the weighted average number of shares of our common stock outstanding during the period, adjusted for dilutive securities using the treasury method.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

The computation of basic income per common share and diluted income per common share was as follows:

(in thousands except share data)	Three Months Ended	
	March 31,	
	2009	2008
Net income basic and diluted	\$ 786	\$ 824
Denominator basic:		
Weighted average number of common shares	14,341	12,021
Basic income per common share	\$ 0.05	\$ 0.06
Denominator diluted:		
Weighted average number of common shares	14,341	12,021
Common share equivalents of outstanding stock options	434	815
Common share equivalents of unrecognized compensation expense	310	128
Weighted average number of dilutive common equivalent shares	15,085	12,964
Diluted income per common share	\$ 0.05	\$ 0.06

Options to purchase 630,000 and 312,000 shares of our common stock respectively, had been excluded from the calculation of diluted earnings per common share for the three months ended March 31, 2009 and March 31, 2008, respectively, as they were all antidilutive.

**Note 4 Commitments and Contingencies**

On March 4, 2009, the Company entered into an employment agreement with its President and Chief Executive Officer effective March 1, 2009 and expires on February 28, 2012. In addition, the Company has employment agreements with both its Chief Financial Officer and the President of eClinical division. The Chief Financial Officer's agreement expires February 5, 2010 and is renewable on an annual basis. The President of eClinical division's agreement expires September 30, 2009 and is renewable on an annual basis. The aggregate amount due from January 1, 2009 through the expiration under these agreements was \$1,659,000.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

**Note 5 Accounts Receivable and Allowance for Doubtful Accounts**

We maintain allowances for doubtful accounts on a specific identification method for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of our customers' ability to make payments, additional allowances may be required. We do not have any off-balance-sheet credit exposure related to our customers, and the trade accounts receivable do not bear interest.

(in thousands)	March 31, 2009	December 31, 2008
Billed trade accounts receivable	\$ 7,870	\$ 10,091
Unbilled trade accounts receivable	1,827	1,863
Other	15	28
<b>Total Receivables</b>	<b>\$ 9,71</b>	