

SYNBIOTICS CORP
Form 10-Q
November 10, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2003

OR

.. **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 0-11303

SYNBIOTICS CORPORATION

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

11011 Via Frontera
San Diego, California
(Address of principal executive offices)

95-3737816
(I.R.S. Employer
Identification No.)

92127
(Zip Code)

Registrant's telephone number, including area code: (858) 451-3771

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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

As of November 10, 2003, there were 20,024,944 shares of our common stock outstanding.

SYNBIOTICS CORPORATION

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements**Synbiotics Corporation****Condensed Consolidated Balance Sheet**

	September 30, 2003	December 31, 2002
	<u>(unaudited)</u>	<u>(audited)</u>
Assets		
Current assets:		
Cash and equivalents	\$ 845,000	\$ 869,000
Accounts receivable	2,385,000	2,455,000
Inventories	5,119,000	5,438,000
Other current assets	1,160,000	673,000
	<u>9,509,000</u>	<u>9,435,000</u>
Property and equipment, net	1,306,000	1,409,000
Goodwill	1,397,000	1,397,000
Intangibles, net	2,363,000	2,737,000
Other assets	545,000	458,000
	<u>\$ 15,120,000</u>	<u>\$ 15,436,000</u>
Liabilities and Shareholders Equity:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,614,000	\$ 4,919,000
Current portion of long-term debt	4,969,000	1,475,000
	<u>8,583,000</u>	<u>6,394,000</u>
Long-term debt		4,516,000
Other liabilities	2,088,000	1,962,000
	<u>2,088,000</u>	<u>6,478,000</u>
Shareholders' equity:		
Common stock, no par value, 70,000,000 shares authorized, 20,025,000 and 17,954,000 shares issued and outstanding at September 30, 2003 and December 31, 2002	46,316,000	46,050,000
Series C preferred stock, \$1,000 liquidation preference per share (aggregating \$2,800,000 at September 30, 2003 and December 31, 2002), 4,000 shares authorized, 2,800 shares issued and outstanding at September 30, 2003 and December 31, 2002	2,604,000	2,604,000
Common stock warrants	1,035,000	1,035,000
Accumulated other comprehensive loss	(534,000)	(958,000)
Accumulated deficit	(44,972,000)	(46,167,000)
	<u>4,449,000</u>	<u>2,564,000</u>
Total shareholders' equity	<u>4,449,000</u>	<u>2,564,000</u>

\$ 15,120,000

\$ 15,436,000

See accompanying notes to condensed consolidated financial statements.

Synbiotics Corporation

Condensed Consolidated Statement of Operations and Comprehensive Income (Loss) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues:				
Net sales	\$ 4,056,000	\$ 4,408,000	\$ 14,978,000	\$ 16,767,000
License fees		75,000		225,000
Royalties	113,000	1,000	212,000	6,000
	<u>4,169,000</u>	<u>4,484,000</u>	<u>15,190,000</u>	<u>16,998,000</u>
Operating expenses:				
Cost of sales	1,994,000	2,123,000	7,297,000	7,775,000
Research and development	321,000	354,000	877,000	1,044,000
Selling and marketing	982,000	1,009,000	3,034,000	3,433,000
General and administrative	928,000	1,556,000	2,643,000	7,412,000
Patent litigation settlement			(515,000)	
	<u>4,225,000</u>	<u>5,042,000</u>	<u>13,336,000</u>	<u>19,664,000</u>
Income (loss) from operations	(56,000)	(558,000)	1,854,000	(2,666,000)
Other income (expense):				
Interest, net	(115,000)	(165,000)	(389,000)	(522,000)
Income (loss) before income taxes	(171,000)	(723,000)	1,465,000	(3,188,000)
Provision for (benefit from) income taxes	(7,000)	(116,000)	6,000	171,000
Income (loss) from continuing operations	(164,000)	(607,000)	1,459,000	(3,359,000)
Discontinued operations, net of tax		314,000		242,000
Income (loss) before cumulative effect of a change in accounting principle	(164,000)	(293,000)	1,459,000	(3,117,000)
Cumulative effect of a change in accounting principle, net of tax				(7,649,000)
Net income (loss)	(164,000)	(293,000)	1,459,000	(10,766,000)
Translation adjustment	35,000	(96,000)	424,000	211,000
Comprehensive income (loss)	<u>\$ (129,000)</u>	<u>\$ (389,000)</u>	<u>\$ 1,883,000</u>	<u>\$ (10,555,000)</u>
Basic income (loss) per share:				
Income (loss) from continuing operations	\$ (0.01)	\$ (0.03)	\$ 0.07	\$ (0.25)
Discontinued operations, net of tax		0.01		0.01
Cumulative effect of a change in accounting principle, net of tax				(0.56)
Net income (loss)	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ 0.07</u>	<u>\$ (0.80)</u>
Diluted income (loss) per share:				

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Income (loss) from continuing operations	\$ (0.01)	\$ (0.03)	\$ 0.03	\$ (0.25)
Discontinued operations, net of tax		0.01		0.01
Cumulative effect of a change in accounting principle, net of tax				(0.56)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	\$ (0.01)	\$ (0.02)	\$ 0.03	\$ (0.80)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to condensed consolidated financial statements.

Synbiotics Corporation**Condensed Consolidated Statement of Cash Flows (unaudited)**

	Nine Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
Net income (loss)	\$ 1,459,000	\$ (10,766,000)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	829,000	770,000
Receivable from patent litigation settlement	(265,000)	
Retention bonus payable in common stock		2,641,000
Legal settlement payable in common stock		15,000
Note receivable for discontinued operations		(500,000)
Cumulative effect of a change in accounting principle		7,756,000
Changes in assets and liabilities (net of acquisitions and dispositions):		