

ORASURE TECHNOLOGIES INC  
Form 10-Q  
November 06, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2008.

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 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 ☐ (Do not check if a smaller reporting company)

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 November 4, 2008: 45,878,291

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

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 31,818,172	\$ 32,229,697
Short-term investments	53,563,643	63,336,408
Accounts receivable, net of allowance for doubtful account of \$104,373 and \$186,468	12,380,682	11,296,355
Inventories	10,237,650	9,409,743
Deferred income taxes	2,675,643	5,060,974
Prepaid expenses and other	1,192,988	2,455,534
Total current assets	111,868,778	123,788,711
PROPERTY AND EQUIPMENT, net	21,373,411	20,911,157
PATENTS AND PRODUCT RIGHTS, net	4,578,497	5,279,471
DEFERRED INCOME TAXES	21,108,602	17,265,591
OTHER ASSETS	89,527	107,586
	\$ 159,018,815	\$ 167,352,516
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 557,608	\$ 556,751
Accounts payable	2,533,960	5,615,998
Accrued expenses and other	9,228,431	11,995,710
Total current liabilities	12,319,999	18,168,459
LONG-TERM DEBT	8,441,023	8,817,669
OTHER LIABILITIES	11,035	311,799
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, par value \$.000001, 25,000,000 shares authorized, none issued		
Common stock, par value \$.000001, 120,000,000 shares authorized, 46,286,216 and 46,644,046 shares issued and outstanding	46	47
Additional paid-in capital	236,804,237	236,293,489
Accumulated other comprehensive loss	(554,265)	(238,896)
Accumulated deficit	(98,003,260)	(96,000,051)
Total stockholders' equity	138,246,758	140,054,589
	\$ 159,018,815	\$ 167,352,516

The accompanying notes are an integral part of these statements.

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>REVENUES:</b>				
Product	\$ 16,157,670	\$ 20,661,204	\$ 51,935,123	\$ 60,794,834
Licensing and product development	702,512	754,127	1,960,076	2,081,940
	16,860,182	21,415,331	53,895,199	62,876,774
<b>COST OF PRODUCTS SOLD</b>	<b>7,144,718</b>	<b>8,647,522</b>	<b>22,393,462</b>	<b>24,121,646</b>
Gross profit	9,715,464	12,767,809	31,501,737	38,755,128
<b>OPERATING EXPENSES:</b>				
Research and development	4,166,646	3,672,087	14,863,778	9,896,379
Sales and marketing	5,327,224	4,978,795	15,505,066	14,998,637
General and administrative	3,561,780	5,074,670	11,292,521	13,636,810
	13,055,650	13,725,552	41,661,365	38,531,826
Operating income (loss)	(3,340,186)	(957,743)	(10,159,628)	223,302
<b>INTEREST EXPENSE</b>	<b>(95,475)</b>	<b>(168,490)</b>	<b>(250,675)</b>	<b>(499,302)</b>
<b>INTEREST INCOME</b>	<b>666,598</b>	<b>1,244,158</b>	<b>2,507,042</b>	<b>3,521,490</b>
<b>OTHER INCOME</b>			<b>4,883,714</b>	<b>1,428,691</b>
<b>FOREIGN CURRENCY GAIN (LOSS)</b>	<b>16,230</b>	<b>9,752</b>	<b>(63,114)</b>	<b>(7,513)</b>
Income (loss) before income taxes	(2,752,833)	127,677	(3,082,661)	4,666,668
<b>INCOME TAX PROVISION (BENEFIT)</b>	<b>(991,181)</b>	<b>123,618</b>	<b>(1,079,452)</b>	<b>2,221,531</b>
<b>NET INCOME (LOSS)</b>	<b>\$ (1,761,652)</b>	<b>\$ 4,059</b>	<b>\$ (2,003,209)</b>	<b>\$ 2,445,137</b>
<b>EARNINGS (LOSS) PER SHARE:</b>				
<b>BASIC AND DILUTED</b>	<b>\$ (0.04)</b>	<b>\$</b>	<b>\$ (0.04)</b>	<b>\$ 0.05</b>
<b>SHARES USED IN COMPUTING EARNINGS (LOSS) PER SHARE:</b>				
<b>BASIC</b>	<b>46,691,600</b>	<b>46,340,646</b>	<b>46,773,750</b>	<b>46,392,692</b>
<b>DILUTED</b>	<b>46,691,600</b>	<b>46,988,171</b>	<b>46,773,750</b>	<b>46,892,924</b>

The accompanying notes are an integral part of these statements.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (2,003,209)	\$ 2,445,137
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on sale of investment in nonaffiliated company		(1,428,691)
Stock-based compensation	4,315,681	4,459,520
Deferred income taxes	(1,270,888)	1,557,785
Depreciation and amortization	2,122,187	1,996,736
Provision for excess and obsolete inventories	1,118,113	771,592
Changes in assets and liabilities:		
Accounts receivable	(1,085,773)	(1,657,083)
Inventories	(1,946,020)	(3,005,429)
Prepaid expenses and other assets	1,280,605	666,554
Accounts payable, accrued expenses, and other liabilities	(6,273,738)	1,981,186
Net cash provided by (used in) operating activities	(3,743,042)	7,787,307
<b>INVESTING ACTIVITIES:</b>		
Purchase of short-term investments	(65,921,172)	(77,787,229)
Proceeds from maturities and redemptions of short-term investments	75,193,426	75,283,513
Purchase of property and equipment	(1,949,520)	(4,280,934)
Payments for patents or licenses	(200,000)	(4,000,000)
Proceeds from sale of investment in nonaffiliated company		1,765,943
Net cash provided by (used in) investing activities	7,122,734	(9,018,707)
<b>FINANCING ACTIVITIES:</b>		
Repayments of long-term debt	(375,789)	(750,711)
Proceeds from issuance of common stock	92,517	1,742,999
Withholding and retirement of common stock	(983,834)	(760,856)
Purchase and retirement of common stock	(2,524,111)	
Net cash provided by (used in) financing activities	(3,791,217)	231,432
NET DECREASE IN CASH AND CASH EQUIVALENTS	(411,525)	(999,968)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	32,229,697	19,949,821
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 31,818,172	\$ 18,949,853
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for:		
Interest	\$ 269,969	\$ 514,532
Income taxes	\$ 399,350	\$ 395,284

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 specimen collection devices using our proprietary oral fluid technologies, diagnostic products, including *in vitro* diagnostic tests, and other medical devices. 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 is also sold in the over-the-counter or consumer retail markets in Europe and Mexico.

**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 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. Results of operations for the three-month and nine-month periods ended September 30, 2008 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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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 September 30, 2008, cash equivalents consisted of commercial paper. As of December 31, 2007, cash equivalents consisted of commercial paper, U.S. government obligations, corporate bonds, and certificates of deposit.

**Short-term Investments.** We consider all short-term investments to be available-for-sale securities, in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. These securities are comprised of certificates of deposits, commercial paper, U.S. government and agency obligations, 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 income (loss).



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The following is a summary of our available-for-sale securities at September 30, 2008 and December 31, 2007:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>September 30, 2008</b>				
Certificates of deposit	\$ 5,700,000	\$ 10,566	\$	\$ 5,710,566
Commercial paper	6,175,275		(12,618)	6,162,657
Government and agency bonds	11,240,538			