

NEOGENOMICS INC  
Form 10-Q  
August 06, 2012  
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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 June 30, 2012.

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: 000-54384

**NEOGENOMICS, INC.**

(Exact name of registrant as specified in its charter)

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**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**74-2897368**  
(I.R.S. Employer  
Identification No.)

**12701 Commonwealth Drive, Suite 9, Fort Myers,**

**Florida**  
(Address of principal executive offices)

**(239) 768-0600**

**33913**  
(Zip Code)

(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  (Do not check if a smaller reporting company) 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

As of August 2, 2012, the registrant had 45,162,863 shares of Common Stock, par value \$0.001 per share outstanding.

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### **FORWARD-LOOKING STATEMENTS**

The information in this Quarterly Report on Form 10-Q contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) relating to NeoGenomics, Inc., a Nevada corporation (the Parent or the Parent Company), and its subsidiary, NeoGenomics Laboratories, Inc., a Florida corporation (NEO, NeoGenomics Laboratories or the Subsidiary) (collectively referred to as we, us, our, NeoGenomics, or the Company), which are subject to the safe harbor from liabilities created by those sections under the Private Securities Litigation Reform Act. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words anticipates, believes, estimates, expects, intends, may, plans, projects, will, would and similar expressions are intended to identify forward-looking statements although not all forward-looking statements contain these identifying words. Forward-looking statements can generally be identified as such because the context of the statement typically addresses future events or conditions. We may not actually achieve the projections, goals, plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risks set forth in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 12, 2012.

Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

Our ability to implement our business strategy;

The expected reimbursement levels from governmental payers and private insurers;

The application, to our business and the services we provide, of existing laws, rules and regulations, including without limitation, Medicare laws, anti-kickback laws, Health Insurance Portability and Accountability Act of 1996 (HIPAA) regulations, state medical privacy laws, federal and state false claims laws and corporate practice of medicine laws;

Regulatory developments in the United States;

Our ability to maintain our license under Clinical Laboratory Improvement Amendments of 1988 (CLIA);

Our ability to expand our operations and increase our market share;

Our ability to expand our service offerings by adding new testing capabilities;

Our ability to meet our future capital requirements;

Our ability to compete with other diagnostic laboratories;

Our ability to hire and retain sufficient managerial, sales, clinical and other personnel to meet our needs;

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Our ability to successfully scale our business, including expanding our facilities, our backup systems and infrastructure; and

The accuracy of our projections and estimates regarding reimbursements, expenses, future revenues and capital requirements. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****NEOGENOMICS, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

(unaudited)

	June 30, 2012	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,566	\$ 2,628
Restricted cash	300	500
Accounts receivable (net of allowance for doubtful accounts of \$2,466 and \$2,150, respectively)	11,327	7,894
Inventories	1,526	1,202
Other current assets	837	954
Total current assets	16,556	13,178
<b>PROPERTY AND EQUIPMENT</b> (net of accumulated depreciation of \$8,258 and \$6,653 respectively)	8,410	6,642
<b>INTANGIBLE ASSETS</b> (net of accumulated amortization of \$70 and \$- , respectively)	2,912	
<b>OTHER ASSETS</b>	123	129
<b>TOTAL ASSETS</b>	\$ 28,001	\$ 19,949
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,134	\$ 2,529
Accrued compensation	2,314	2,137
Accrued expenses and other liabilities	691	773
Short-term portion of equipment capital leases	2,564	2,107
Revolving credit line	6,393	3,898
Total current liabilities	15,096	11,444
<b>LONG TERM LIABILITIES</b>		
Long-term portion of equipment capital leases	3,186	2,608
<b>TOTAL LIABILITIES</b>	18,282	14,052
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.001 par value, (100,000,000 shares authorized; 45,143,363 and 43,416,200 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively)	45	43
Additional paid-in capital	31,157	28,490
Accumulated deficit	(21,483)	(22,636)
Total stockholders' equity	9,719	5,897
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 28,001	\$ 19,949

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See notes to unaudited consolidated financial statements.

**Table of Contents****NEOGENOMICS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
<b>NET REVENUE</b>	\$ 15,611	\$ 10,466	\$ 30,771	\$ 19,271
<b>COST OF REVENUE</b>	8,244	5,810	16,261	10,750
<b>GROSS PROFIT</b>	7,367	4,656	14,510	8,521
<b>OPERATING EXPENSES</b>				
General and administrative	4,066	2,914	7,816	5,618
Research and development	528	172	1,025	291
Sales and marketing	1,934	1,684	3,969	3,437
Total operating expenses	6,528	4,770	12,810	9,346
<b>INCOME (LOSS) FROM OPERATIONS</b>	839	(114)	1,700	(825)
<b>INTEREST AND OTHER INCOME (EXPENSE) NET</b>	(288)	(179)	(546)	(361)
<b>NET INCOME (LOSS) BEFORE TAXES</b>	551	(293)	1,154	(1,186)
<b>INCOME TAXES</b>				
<b>NET INCOME (LOSS)</b>	\$ 551	\$ (293)	\$ 1,154	\$ (1,186)
<b>NET INCOME (LOSS) PER SHARE</b>				
Basic	\$ 0.01	\$ (0.01)	\$ 0.03	\$ (0.03)
Diluted	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.03)
<b>WEIGHTED AVG NUMBER OF SHARES OUTSTANDING</b>				
Basic	44,954	42,857	44,827	42,299
Diluted	47,650	42,857	47,501	42,299

See notes to unaudited consolidated financial statements.



**Table of Contents****NEOGENOMICS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	<b>For the Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 1,154	\$ (1,186)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for bad debts	1,735	1,109
Amortization of intangibles	70	
Depreciation of property and equipment	1,605	963
Amortization of debt issue costs	19	21
Stock-based compensation options	258	179
Stock-based compensation warrants and restricted stock	84	70
Changes in assets and liabilities, net:		
(Increase) decrease in accounts receivable, net of write-offs	(5,168)	(3,028)
(Increase) decrease in inventories	(324)	(192)
(Increase) decrease in prepaid expenses	98	340
(Increase) decrease in other current assets	6	(2)
Increase (decrease) in accounts payable and other liabilities	479	672
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>16</b>	<b>(1,054)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	(1,013)	
Purchases of property and equipment	(1,037)	(125)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,050)</b>	<b>(125)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted cash	200	
Advances (payments) on credit facility, net	2,495	377
Repayment of capital leases	(1,104)	(753)
Issuance of common stock and warrants for cash, net of transaction expenses	381	3,090
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,972</b>	<b>2,714</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(62)</b>	<b>1,535</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>2,628</b>	