

ATRION CORP
Form 10-Q
May 08, 2012

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 March 31, 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 0-10763

Atrion Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

63-0821819
(I.R.S. Employer
Identification No.)

One Allentown Parkway, Allen, Texas 75002
(Address of Principal Executive Offices) (Zip Code)

(972) 390-9800
(Registrant's Telephone Number, Including Area Code)

Indicate by check 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "accelerated filer," "large 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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Each Class	Number of Shares Outstanding at April 20, 2012
Common stock, Par Value \$0.10 per share	2,009,943

ATRION CORPORATION AND SUBSIDIARIES

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PART I

FINANCIAL INFORMATION

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Item 1. Financial Statements

ATRION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
	(in thousands, except per share amounts)	
Revenues	\$29,239	\$30,589
Cost of goods sold	15,410	15,037
Gross profit	13,829	15,552
Operating expenses:		
Selling	1,442	1,495
General and administrative	3,471	3,385
Research and development	973	576
	5,886	5,456
Operating income	7,943	10,096
Interest income	290	326
Other income	2	2
Income before provision for income taxes	8,235	10,424
Provision for income taxes	(2,858)	(3,566)
Net income	5,377	6,858
Other comprehensive income, net of tax:		
None	--	--
Comprehensive income	\$5,377	\$6,858
Income per basic share	\$2.67	\$3.40
Weighted average basic shares outstanding	2,015	2,016
Income per diluted share	\$2.65	\$3.38
Weighted average diluted shares outstanding	2,026	2,030
Dividends per common share	\$0.49	\$0.42

The accompanying notes are an integral part of these statements.

ATRION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2012	December 31, 2011
	(in thousands)	
Current assets:		
Cash and cash equivalents	\$ 18,943	\$ 24,590
Short-term investments	20,164	20,279
Accounts receivable	12,383	11,223
Inventories	25,644	24,582
Prepaid expenses	865	2,313
Deferred income taxes	755	755
	78,754	83,742
Long-term investments	15,347	10,336
Property, plant and equipment	117,649	114,975
Less accumulated depreciation and amortization	60,235	58,605
	57,414	56,370
Other assets and deferred charges:		
Patents	958	999
Goodwill	9,730	9,730
Other	851	718
	11,539	11,447
	\$ 163,054	\$ 161,895
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,995	\$ 9,208
Accrued income and other taxes	1,534	835
	8,529	10,043
Line of credit	--	--
Other non-current liabilities	13,321	13,338
Stockholders' equity:		
Common shares, par value \$0.10 per share; authorized 10,000 shares, issued 3,420 shares	342	342
Paid-in capital	27,194	25,452
Retained earnings	158,002	153,618
Treasury shares, 1,410 at March 31, 2012 and 1,404		

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at December 31, 2011, at cost	(44,334)	(40,898)
Total stockholders' equity	141,204	138,514
	\$ 163,054	\$ 161,895

The accompanying notes are an integral part of these financial statements.

ATRION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
	(in thousands)	
Cash flows from operating activities:		
Net income	\$5,377	\$6,858
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,718	1,572
Deferred income taxes	(23)	191
Stock-based compensation	286	142
	7,358	8,763
Changes in operating assets and liabilities:		
Accounts receivable	(1,160)	(3,364)
Inventories	(1,062)	(1,365)
Prepaid expenses	1,448	162
Other non-current assets	(132)	56
Accounts payable and accrued liabilities	(2,213)	89
Accrued income and other taxes	699	3,003
Other non-current liabilities	6	28
	4,944	7,372
Cash flows from investing activities:		
Property, plant and equipment additions	(2,722)	(1,906)
Purchase of investments	(9,009)	(9,527)
Proceeds from maturities of investments	4,000	2,400
Net change in accrued interest, premiums, and discounts on investments	113	(202)
	(7,618)	(9,235)
Cash flows from financing activities:		
Shares tendered for employees' taxes on stock-based compensation	(380)	--
Purchase of treasury stock	(2,026)	--
Tax benefit related to stock-based compensation	418	--
Dividends paid	(985)	(847)
	(2,973)	(847)
Net change in cash and cash equivalents	(5,647)	(2,710)
Cash and cash equivalents at beginning of period	24,590	10,670
Cash and cash equivalents at end of period	\$18,943	\$7,960

Cash paid for:

Income taxes	\$418	\$270
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The accompanying notes are an integral part of these financial statements.

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ATRION CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements of Atrion Corporation and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, these statements include all adjustments necessary to present a fair statement of our consolidated results of operations, financial position and cash flows. Operating results for any interim period are not necessarily indicative of the results that may be expected for the full year. Preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes. Actual results could differ from those estimates. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011 ("2011 Form 10-K"). References herein to "Atrion," the "Company," "we," "our," and "us" refer to Atrion Corporation and its subsidiaries.

(2) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by using the first-in, first-out method. The following table details the major components of inventories (in thousands):

	March 31, 2012	December 31, 2011
Raw materials	\$ 9,536	\$ 9,074
Work in process	5,746	4,843
Finished goods	10,362	10,665
Total inventories	\$ 25,644	\$ 24,582

(3) Income per share

The following is the computation for basic and diluted income per share: