

InfuSystem Holdings, Inc
Form 10-Q
November 05, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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: 000-51902

INFUSYSTEM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of

20-3341405
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

1551 East Lincoln Avenue, Suite 200

Madison Heights, Michigan 48071

(Address of Principal Executive Offices including zip code)

(248) 291-1210

(Registrant's Telephone Number, Include 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 during the past 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if smaller reporting company)

Smaller reporting company

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

As of October 30, 2008, 17,192,377 shares of the registrant's common stock, par value \$0.0001 per share, were outstanding.

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INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARY

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Table of Contents**PART I-FINANCIAL INFORMATION****Item 1. Financial Statements****INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARY****(formerly HAPC, INC.)****CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2008 AND DECEMBER 31, 2007**

<i>(in thousands, except share data)</i>	September 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	10,795	3,960
Accounts receivable, less allowance for doubtful accounts of \$1,935 and \$1,638 at September 30, 2008 and December 31, 2007, respectively; September 30, 2008 and December 31, 2007 include \$40 and \$103 due from I-Flow, respectively	4,132	6,304
Inventory supplies	397	364
Prepaid expenses and other current assets	394	1,263
Deferred income taxes	4	4
Total Current Assets	15,722	11,895
Property & equipment, net	11,232	13,504
Deferred debt issuance costs, net	1,424	1,918
Deferred Income Taxes		
Goodwill	56,580	56,544
Intangible assets, net	31,195	32,565
Total Assets	116,153	116,426
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	1,213	1,076
Other current liabilities	776	1,886
Derivative liabilities	3,742	12,407
Current portion of long-term debt; September 30, 2008 and December 31, 2007 include \$3,270 and \$2,044 payable to I-Flow, respectively	3,348	2,044
Total Current Liabilities	9,079	17,413
Long-term debt, net of current portion; September 30, 2008 and December 31, 2007 include \$27,798 and \$30,250 payable to I-Flow, respectively	28,159	30,250
Deferred income taxes	403	4
Total Liabilities	37,641	47,667
Stockholders Equity		
Preferred stock, \$.0001 par value; authorized 1,000,000 shares; none issued		
Common stock, \$.0001 par value; authorized 200,000,000 shares; issued 18,426,421 and 18,315,430, respectively; outstanding 17,192,377 and 16,824,295, respectively	2	2
Additional paid-in capital	80,490	79,437

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Retained deficit	(1,980)	(10,680)
Total Stockholders' Equity	78,512	68,759
Total Liabilities and Stockholders' Equity	116,153	116,426

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents**INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARY**

(formerly HAPC, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED**SEPTEMBER 30, 2008 AND 2007 (INCLUDING PREDECESSOR FOR THE THREE AND NINE****MONTHS ENDED SEPTEMBER 30, 2007)****(UNAUDITED)**

<i>(in thousands, except per share data)</i>	Three Months Ended September 30, I-Flow Predecessor			Nine Months Ended September 30, I-Flow Predecessor		
	2008	2007	2007	2008	2007	2007
Net revenues	\$ 8,958	\$	\$ 7,822	\$ 26,323	\$	\$ 23,528
Operating expenses:						
Cost of Revenues Product and supply costs	1,340		1,159	4,182		3,746
Cost of Revenues Pump depreciation	978		1,032	2,908		2,307
Provision for doubtful accounts	702		619	2,477		3,278
Amortization of intangibles	456			1,370		
Selling and marketing	1,131		1,036	3,401		3,030
General and administrative	2,703	699	1,732	8,737	3,002	5,340
Total Operating Expenses	7,310	699	5,578	23,075	3,002	17,701
Other income (expense):						
Gain (loss) on derivatives	5,381	(675)		8,665	(675)	
Interest income	11	1,210		14	3,534	
Interest expense	(937)	(18)		(2,828)	(33)	237
Total other income	4,455	517		5,851	2,826	237
Income (loss) before income taxes	6,103	(182)	2,244	9,099	(176)	6,064
Income tax expense	(399)	(323)	(936)	(399)	(752)	(2,460)
Net income (loss)	5,704	(505)	1,308	8,700	(928)	3,604
Net income (loss) per share:						
Basic	0.31	(0.03)	N/A	0.49	(0.05)	N/A
Diluted	0.30	(0.03)	N/A	0.47	(0.05)	N/A
Weighted average shares outstanding:						
Basic	18,442,957*	18,625,252	N/A	17,757,075*	18,625,252	N/A
Diluted	18,794,182	18,625,252	N/A	18,581,789	18,625,252	N/A

* Includes, from April 25, 2008, the 1,234,044 shares referenced in Notes 9 and 10 to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

See Accompanying Notes to Consolidated Financial Statements.

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INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARY
(formerly HAPC, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (INCLUDING PREDECESSOR FOR
THE NINE MONTHS ENDED SEPTEMBER 30, 2007)
(UNAUDITED)

<i>(in thousands)</i>	Nine Months Ended September 30,		
	2008	2007	I-Flow Predecessor 2007
OPERATING ACTIVITIES			
Net Income (Loss)	8,700	(928)	3,604
Items included in net income not requiring cash:			
(Gain) loss on derivative liabilities	(8,665)	675	
Provision for doubtful accounts	2,477		3,278
Depreciation	3,041		2,432
Amortization of intangible assets	1,370		
Amortization of deferred debt issuance costs	494		
Loss on disposal of assets	385		241
Interest Income on Investments Held in Trust		(3,528)	
Withdrawal of interest earned on investments held in trust		422	
Stock-based compensation	1,166	1,490	305
Deferred Income Taxes	399		(517)
Changes in current assets and liabilities:			
Decrease (increase) in accounts receivable	(305)		(1,636)
Decrease (increase) in prepaid expenses and other current assets	836	439	(129)
(Decrease) increase in accounts payable and other current liabilities	(628)	768	(953)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	9,270	(662)	6,625
INVESTING ACTIVITIES			
Payment of deferred acquisition costs	(105)	(252)	
Capital expenditures	(951)		(2,664)
Proceeds from sale of property			231
NET CASH USED IN INVESTING ACTIVITIES	(1,056)	(252)	(2,433)
FINANCING ACTIVITIES			