

MIMEDX GROUP, INC.  
Form 10-Q  
August 02, 2016

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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 June 30, 2016

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 001-35887

MIMEDX GROUP, INC.  
(Exact name of registrant as specified in its charter)

Florida 26-2792552  
(State or other jurisdiction of incorporation) (I.R.S. Employer Identification Number)  
1775 West Oak Commons Ct NE 30062  
Marietta, GA  
(Address of principal executive offices) (Zip Code)

(770) 651-9100  
(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 Website, 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 definitions of "large accelerated filer," "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   
(Do not check if a 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 July 15, 2016, there were 110,042,283 shares of the registrant's common stock outstanding.

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## Forward-Looking Statements

This Form 10-Q and certain information incorporated herein by reference contain forward-looking statements and information within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. This information includes assumptions made by, and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources, acceptance of our products by the market, and management’s plans and objectives. In addition, certain statements included in this and our future filings with the Securities and Exchange Commission (“SEC”), in press releases, and in oral and written statements made by us or with our approval, which are not statements of historical fact, are forward-looking statements. Words such as “may,” “could,” “should,” “would,” “believe,” “expect,” “expectation,” “anticipate,” “estimate,” “intend,” “seeks,” “plan,” “project,” “will,” “should,” and other words or expressions of similar meaning are intended by us to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are found at various places throughout this report and in the documents incorporated herein by reference. These statements are based on our current expectations about future events or results and information that is currently available to us, involve assumptions, risks, and uncertainties, and speak only as of the date on which such statements are made.

Our actual results may differ materially from those expressed or implied in these forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in Part II, Item 1A, “Risk Factors,” below and in our most recent Annual Report on Form 10-K, as well as other reports we file with the SEC. Except as expressly required by the federal securities laws, we undertake no obligation to update any such factors, or to publicly announce the results of, or changes to any of the forward-looking statements contained herein to reflect future events, developments, changed circumstances, or for any other reason.

As used herein, the terms “MiMedx,” “the Company,” “we,” “our” and “us” refer to MiMedx Group, Inc., a Florida corporation and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only MiMedx Group, Inc.

## Part I - FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

MIMEDX GROUP, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2016 (unaudited)	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 23,803	\$ 28,486
Short term investments	—	3,000
Accounts receivable, net	54,861	53,755
Inventory, net	17,207	7,460
Prepaid expenses and other current assets	5,970	3,609
Total current assets	101,841	96,310
Property and equipment, net of accumulated depreciation	13,049	9,475
Goodwill	26,951	4,040
Intangible assets, net of accumulated amortization	27,693	10,763
Deferred tax asset, net	7,077	14,838
Deferred financing costs and other assets	444	487
Total assets	\$ 177,055	\$ 135,913
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 9,678	\$ 6,633
Accrued compensation	10,245	15,034
Accrued expenses	6,988	4,644
Current portion of earn out liability	9,642	—
Other current liabilities	1,985	466
Total current liabilities	38,538	26,777
Earn out liability	15,978	—
Other liabilities	934	1,148
Total liabilities	55,450	27,925
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock; \$.001 par value; 5,000,000 shares authorized and 0 shares issued and outstanding	—	—
Common stock; \$.001 par value; 150,000,000 shares authorized; 110,025,697 issued and 110,022,283 outstanding at June 30, 2016 and 109,467,416 issued and 107,361,471 outstanding at December 31, 2015	110	109
Additional paid-in capital	156,457	163,133
Treasury stock at cost: 3,414 shares at June 30, 2016 and 2,105,945 shares at December 31, 2015	(4	) (17,124
Accumulated deficit	(34,958	) (38,130
Total stockholders' equity	121,605	107,988
Total liabilities and stockholders' equity	\$ 177,055	\$ 135,913

See notes to condensed consolidated financial statements

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MIMEDX GROUP, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	\$57,342	\$ 45,679	\$110,710	\$ 86,446
Cost of sales	7,394	5,089	15,341	10,237
Gross margin	49,948	40,590	95,369	76,209
Operating expenses:				
Research and development expenses	3,168	2,054	5,664	3,885
Selling, general and administrative expenses	42,772	32,651	83,420	61,960
Amortization of intangible assets	447	233	1,257	465
Operating income	3,561	5,652	5,028	9,899
Other income (expense), net				
Interest income (expense), net	(111 )	1	(167 )	(13 )
Income before income tax provision	3,450	5,653	4,861	9,886
Income tax provision	(1,475 )	(223 )	(1,689 )	(369 )
Net income	\$1,975	\$ 5,430	\$3,172	\$ 9,517
Net income per common share - basic	\$0.02	\$ 0.05	\$0.03	\$ 0.09
Net income per common share - diluted	\$0.02	\$ 0.05	\$0.03	\$ 0.08
Weighted average shares outstanding - basic	106,191,931	106,211,120	105,873,727	106,013,752
Weighted average shares outstanding - diluted	112,148,415	114,186,329	112,095,051	113,892,087

See notes to condensed consolidated financial statements

MIMEDX GROUP, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
 (in thousands, except share data)  
 (unaudited)

	Common Stock Issued		Treasury Stock		Accumulated Deficit	Total
	Shares	Amount	Additional Paid - in Capital	Shares		
Balance December 31, 2015	109,467,416	\$ 109	\$ 163,133	2,105,945	\$(17,124)	\$(38,130 ) \$107,988
Share-based compensation expense	—	—	9,124	—	—	9,124
Exercise of stock options	223,928	—	(2,745 )	(580,113 )	4,761	— 2,016
Issuance of restricted stock	334,353	1	(13,422 )	(1,660,079)	13,421	—
Restricted stock shares cancelled/forfeited	—	—	825	102,230	(825 )	—
Shares issued for services performed	—	—	4	(20,406 )	169	— 173
Stock repurchase	—	—	—	415,252	(3,530 )	— (3,530 )
Shares repurchased for tax withholding	—	—	—	81,594	(684 )	— (684 )
Shares issued in conjunction with acquisition	—	—	(462 )	(441,009 )	3,808	— 3,346
Net income	—	—	—	—	—	3,172 3,172
Balance June 30, 2016	110,025,697	\$ 110	\$ 156,457	3,414	\$(4 )	\$(34,958 ) \$121,605

See notes to condensed consolidated financial statements



MIMEDX GROUP, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (in thousands)  
 (unaudited)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$3,172	\$9,517
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,555	776
Amortization of intangible assets	1,257	465
Amortization of inventory fair value step-up	1,224	—
Amortization of deferred financing costs	91	—
Share-based compensation	9,124	8,186
Increase (decrease) in cash, net of effects of acquisition, resulting from changes in:		
Accounts receivable	894	(12,776 )
Inventory	(2,245 )	1,274
Prepaid expenses and other current assets	(1,781 )	(1,106 )
Other assets	(264 )	(26 )
Accounts payable	(5,597 )	2,060
Accrued compensation	(4,789 )	(1,862 )
Accrued expenses	2,344	1,221
Other liabilities	1,318	(586 )
Net cash flows from operating activities	6,303	7,143
Cash flows from investing activities:		
Purchases of equipment	(3,755 )	(2,513 )
Purchase of Stability Inc., net of cash acquired	(7,631 )	—
Fixed maturity securities redemption	3,000	1,750
Patent application costs	(327 )	(402 )
Net cash flows from investing activities	(8,713 )	(1,165 )
Cash flows from financing activities:		
Proceeds from exercise of stock options	2,016	2,741
Stock repurchase under repurchase plan	(3,530 )	(16,641 )
Stock repurchase for tax withholdings on vesting of restricted stock	(684 )	—
Deferred financing costs	(61 )	—
Payments under capital lease obligations	(14 )	(59 )
Net cash flows from financing activities	(2,273 )	(13,959 )
Net change in cash	(4,683 )	(7,981 )
Cash and cash equivalents, beginning of period	28,486	46,582
Cash and cash equivalents, end of period	\$23,803	\$38,601
See notes to condensed consolidated financial statements		

MIMEDX GROUP, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

1. Basis of Pres