

ERESEARCHTECHNOLOGY INC /DE/

Form 10-Q

May 07, 2012

[Table of Contents](#)

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 March 31, 2012

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transitional period from to

Commission file number: 0-29100

eResearchTechnology, Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	22-3264604 (I.R.S. Employer Identification No.)
1818 Market Street Philadelphia, PA (Address of principal executive offices)	19103 (Zip code)
215-972-0420 (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 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark 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.

The number of shares of Common Stock, \$.01 par value, outstanding as of April 20, 2012, was 49,388,216.

Table of Contents

eResearchTechnology, Inc. and Subsidiaries

INDEX

	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets-December 31, 2011 and March 31, 2012 (unaudited)</u>	3
<u>Consolidated Statements of Operations (unaudited) Three months ended March 31, 2011 and 2012</u>	4
<u>Consolidated Statements of Comprehensive Income (unaudited) Three months ended March 31, 2011 and 2012</u>	5
<u>Consolidated Statements of Cash Flows (unaudited) Three months ended March 31, 2011 and 2012</u>	6
<u>Notes to Consolidated Financial Statements (unaudited)</u>	7-18
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19-25
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	26
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	27
<u>Item 5. Other Information</u>	27
<u>Item 6. Exhibits</u>	27
<u>Signatures</u>	28
<u>Exhibit Index</u>	29

Table of Contents**Part 1. Financial Information****Item 1. Financial Statements**

eResearchTechnology, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(unaudited)

	December 31, 2011	March 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	\$ 38,928	\$ 45,687
Short-term investments	50	50
Investment in marketable securities	405	729
Accounts receivable, less allowance for doubtful accounts of \$207 and \$199, respectively	41,617	37,651
Inventory	8,863	8,225
Prepaid income taxes	4,451	2,594
Prepaid expenses and other	4,270	5,341
Deferred income taxes	3,605	3,660
Total current assets	102,189	103,937
Property and equipment, net	53,272	55,230
Goodwill	72,915	73,925
Intangible assets	10,711	10,057
Deferred income taxes	724	749
Other assets	557	450
Total assets	\$ 240,368	\$ 244,348
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	\$ 7,412	\$ 4,888
Accrued expenses	16,230	14,792
Income taxes payable	986	931
Deferred revenues	13,544	13,086
Total current liabilities	38,172	33,697
Deferred rent	2,411	2,371
Deferred income taxes	7,946	8,389
Long-term debt	21,000	21,000
Other liabilities	1,162	1,054
Total liabilities	70,691	66,511
Commitments and contingencies (Note 12)		
Stockholders Equity:		
Preferred stock \$10.00 par value, 500,000 shares authorized, none issued and outstanding	608	610

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Common stock \$.01 par value, 175,000,000 shares authorized, 60,838,449 and 60,990,770 shares issued, respectively		
Additional paid-in capital	104,189	105,076
Accumulated other comprehensive income	44	3,651
Retained earnings	144,765	148,516
Treasury stock, 11,596,966 and 11,611,667 shares at cost, respectively	(79,929)	(80,016)
Total stockholders' equity	169,677	177,837
Total liabilities and stockholders' equity	\$ 240,368	\$ 244,348

The accompanying notes are an integral part of these statements.

Table of Contents

eResearchTechnology, Inc. and Subsidiaries

Consolidated Statements of Operations

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended March 31,	
	2011	2012
Net revenues:		
Services	\$ 23,977	\$ 26,555
Site support	17,722	23,950
Total net revenues	41,699	50,505
Costs of revenues:		
Cost of services	13,156	14,040
Cost of site support	10,123	13,953
Total costs of revenues	23,279	27,993
Gross margin	18,420	22,512
Operating expenses:		
Selling and marketing	4,175	5,297
General and administrative	7,508	8,497
Research and development	1,383	2,378
Total operating expenses	13,066	16,172
Operating income	5,354	6,340
Foreign exchange losses	(1,009)	(415)
Other expense, net	(101)	(112)
Income before income taxes	4,244	5,813
Income tax provision	1,151	2,062
Net income	\$ 3,093	\$ 3,751
Net income per share:		
Basic	\$ 0.06	\$ 0.08
Diluted	\$ 0.06	\$ 0.08
Shares used in computing net income per share:		
Basic	48,896	49,287
Diluted	49,251	49,514

The accompanying notes are an integral part of these statements.

Table of Contents

eResearchTechnology, Inc. and Subsidiaries
 Consolidated Statements of Comprehensive Income
 (In thousands, except per share amounts)
 (unaudited)

	Three Months Ended March 31,	
	2011	2012
Net income	\$ 3,093	\$ 3,751
Other comprehensive income :		
Change in unrealized gains on marketable securities	405	324
Currency translation adjustment	10,062	3,283
Comprehensive income	\$ 13,560	\$ 7,358

The accompanying notes are an integral part of these statements.

Table of Contents

eResearchTechnology, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	Three Months Ended March 31,	
	2011	2012
Operating activities:		
Net income	\$ 3,093	\$ 3,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,988	5,571
Cost of sales of equipment	3	7
Share-based compensation	662	781
Deferred income taxes	204	329
Loss on disposal of equipment		32
Changes in operating assets and liabilities:		
Accounts receivable	1,030	4,920
Inventory	(1,412)	1,825
Prepaid expenses and other	(1,363)	(1,176)
Accounts payable	91	(1,456)
Accrued expenses	(3,191)	(1,677)
Income taxes	(736)	1,770
Deferred revenues	803	(632)
Deferred rent	(164)	(41)
Net cash provided by operating activities	5,008	14,004
Investing activities:		
Purchases of property and equipment	(7,254)	(7,909)
Payments for acquisition	(117)	
Net cash used in investing activities	(7,371)	(7,909)
Financing activities:		
Proceeds from exercise of stock options	309	71
Stock option income tax benefit	11	19
Repurchase of common stock for treasury	(46)	(87)
Net cash provided by financing activities	274	3
Effect of exchange rate changes on cash	1,360	661
Net (decrease) increase in cash and cash equivalents	(729)	6,759
Cash and cash equivalents, beginning of period	30,343	38,928
Cash and cash equivalents, end of period	\$ 29,614	\$ 45,687

The accompanying notes are an integral part of these statements.

Table of Contents

eResearchTechnology, Inc. and Subsidiaries

Notes to Consolidated Financial St