

NeuroMetrix, Inc.
Form 10-Q
August 09, 2007

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, 2007

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 000-50856

NEUROMETRIX, INC.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

04-3308180

(I.R.S. Employer Identification No.)

62 Fourth Avenue, Waltham, Massachusetts

(Address of principal executive offices)

02451

(Zip Code)

(781) 890-9989

(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 twelve (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 ninety (90) days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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:

12,624,813 shares of common stock, par value \$0.0001 per share, were outstanding as of August 3, 2007.

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PART I**FINANCIAL INFORMATION****Item 1. Condensed Financial Statements****NeuroMetrix, Inc.
Balance Sheets
(Unaudited)**

	June 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,777,996	\$ 7,909,778
Short-term held-to-maturity investments	32,315,685	32,410,685
Accounts receivable, net of allowance for doubtful accounts of \$1,200,000 and \$900,000 at June 30, 2007 and December 31, 2006, respectively	6,247,135	7,698,550
Inventories, net	5,184,608	3,633,389
Prepaid expenses and other current assets	872,614	761,400
Current portion of deferred costs	422,691	370,013
Total current assets	49,820,729	52,783,815
Restricted cash	1,458,598	1,458,598
Fixed assets, net	1,095,259	1,115,436
Deferred costs	297,863	348,430
Total assets	\$ 52,672,449	\$ 55,706,279
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,907,916	\$ 2,766,650
Accrued compensation	2,271,408	2,460,328
Other accrued expenses	2,380,257	4,275,983
Current portion of deferred revenue	1,529,785	1,386,867
Current portion of capital lease obligations	12,900	
Total current liabilities	9,102,266	10,889,828
Deferred revenue	1,160,947	1,335,138
Capital lease obligations	25,800	
Other long-term liabilities	43,636	72,727
Total liabilities	10,332,649	12,297,693
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none outstanding		
Common stock, \$0.0001 par value; 50,000,000 shares authorized; 12,624,813 and 12,601,224 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	1,262	1,260
Additional paid-in capital	98,723,291	97,205,145
Deferred compensation	(29,366)	(110,705)
Accumulated deficit	(56,355,387)	(53,687,114)
Total stockholders' equity	42,339,800	43,408,586
Total liabilities and stockholders' equity	\$ 52,672,449	\$ 55,706,279

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

NeuroMetrix, Inc.
Statements of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006 (as restated)	June 30, 2007	June 30, 2006 (as restated)
Revenues:				
Diagnostic device	\$ 1,223,173	\$ 1,933,594	\$ 2,502,377	\$ 3,475,031
Biosensor	10,048,336	12,036,456	20,321,114	22,318,294
Other	204,000		409,804	
Total revenues	11,475,509	13,970,050	23,233,295	25,793,325
Cost of revenues	3,067,635	3,377,466	6,162,253	6,257,379
Gross margin	8,407,874	10,592,584	17,071,042	19,535,946
Operating expenses:				
Research and development (1)	1,266,691	1,268,545	2,481,763	2,527,153
Sales and marketing (1)	6,019,947	5,408,315	11,995,885	10,676,568
General and administrative (1)	2,868,650	2,987,772	6,210,868	5,793,021
Total operating expenses	10,155,288	9,664,632	20,688,516	18,996,742
Income (loss) from operations	(1,747,414)	927,952	(3,617,474)	539,204
Interest income	456,423	372,348	949,201	665,934
Income (loss) before provision for income taxes	(1,290,991)	1,300,300	(2,668,273)	1,205,138
Provision for income taxes		66,600		74,100
Net income (loss)	\$ (1,290,991)	\$ 1,233,700	\$ (2,668,273)	\$ 1,131,038
Net income (loss) per common share:				
Basic	\$ (0.10)	\$ 0.10	\$ (0.21)	\$ 0.09
Diluted	\$ (0.10)	\$ 0.09	\$ (0.21)	\$ 0.09
Weighted average shares used to compute net income (loss) per common share:				
Basic	12,611,880	12,485,205	12,608,673	12,450,037
Diluted	12,611,880	13,137,867	12,608,673	13,136,868

(1) Non-cash stock-based compensation expense included in these amounts is as follows:

Research and development	\$ 152,483	\$ 76,967	\$ 194,114	\$ 295,718
Sales and marketing	286,649	200,147	500,789	391,055
General and administrative	422,205	349,654	734,084	677,208

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

NeuroMetrix, Inc.
Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2007	June 30, 2006 (as restated)
Cash flows from operating activities:		
Net income (loss)	\$ (2,668,273)	\$ 1,131,038
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	222,501	174,314
Compensation expense associated with stock options	1,428,987	1,363,981
Provision for doubtful accounts	468,842	343,265
Amortization of premium on investments	10,683	102,115
Provision for income taxes		74,100
Changes in operating assets and liabilities:		
Accounts receivable	982,573	(2,120,289)
Inventories	(1,551,219)	(261,454)
Prepaid expenses and other current assets	(107,522)	(119,053)
Accounts payable	141,266	(99,401)
Accrued compensation and other accrued expenses	(2,084,646)	810,037
Other long-term liabilities	(29,091)	(29,091)
Deferred revenue and deferred costs	(33,384)	371,883
Net cash provided by (used in) operating activities	(3,219,283)	1,741,445
Cash flows from investing activities:		
Purchases of investments	(17,811,395)	(23,752,079)
Maturities of investments	17,895,712	18,229,724
Purchases of fixed assets	(163,624)	(272,509)
Net cash used in investing activities	(79,307)	