

Edgar Filing: DAXOR CORP - Form 10-Q

DAXOR CORP
Form 10-Q
November 14, 2001

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the
Securities Act of 1934

FOR QUARTER ENDED SEPTEMBER 30, 2001
Commission File Number 0-12248

DAXOR CORPORATION
(Exact Name as Specified in its Charter)

New York
(State or Other Jurisdiction of
Incorporation or Organization)

13-2682108
(I.R.S. Employer
Identification No.)

350 Fifth Ave
Suite 7120
New York, New York 10118

(Address of Principal Executive Offices & Zip Code)

Registrant's Telephone Number: (212) 244-0555
(Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| CLASS | OUTSTANDING AT SEPTEMBER 30, 2001 |
|----------------------------|-----------------------------------|
| ----- | |
| COMMON STOCK | |
| PAR VALUE: \$.01 per share | 4,664,909 |

PART I. FINANCIAL INFORMATION

| | | |
|---------|--|------|
| ITEM 1. | FINANCIAL STATEMENTS | PAGE |
| | Consolidated Balance Sheet as at September 30, 2001 and December 31, 2000 | F-1 |
| | Consolidated Statements of Income for the Three and Nine | |

Edgar Filing: DAXOR CORP - Form 10-Q

| | |
|---|-----|
| Months ended September 30, 2001 and 2000 | F-2 |
| Consolidated Statement of Cash Flows for the Nine Months ended September 30, 2001 and 2000 | F-3 |
| Notes to Consolidated Financial Statements (Unaudited) | F-4 |

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS: RESULTS OF OPERATIONS AND FINANCIAL CONDITION

DAXOR CORPORATION
FINANCIAL STATEMENTS

DAXOR CORPORATION

CONSOLIDATED BALANCE SHEETS [UNAUDITED]

| | September 30, 2001 | December 31, 2000 |
|---|-----------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| ===== | | |
| CURRENT ASSETS | | |
| Cash | \$ 55,525 | \$ 18,439 |
| Marketable Securities at Fair Value September 30, 2001 and December 31, 2000. (Notes 1 and 2) | 42,379,751 | 48,722,403 |
| Accounts receivable | 185,949 | 107,927 |
| Other current assets | 383,183 | 363,758 |
| | ----- | ----- |
| Total Current Assets | 43,004,408 | 49,212,527 |
| EQUIPMENT AND IMPROVEMENTS | | |
| Storage tanks | 125,815 | 125,815 |
| Leasehold improvements, furniture and equipment | 837,807 | 836,813 |
| Laboratory equipment | 278,087 | 278,087 |
| | ----- | ----- |
| | 1,241,709 | 1,240,715 |
| Less: Accumulated depreciation and amortization | 954,215 | 919,414 |
| | ----- | ----- |
| Net equipment and improvements | 287,494 | 321,301 |
| Other Assets | 40,190 | 41,290 |
| Total Assets | \$ 43,332,092 | \$ 49,575,118 |
| | ===== | ===== |
| ----- | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| ===== | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 37,547 | \$ 42,431 |
| Loans payable (Notes 1 and 2) | 1,968,281 | 1,775,363 |
| Other Liabilities | 10,866 | 73,741 |
| Deferred Taxes (Note 1) | 6,753,673 | 9,011,745 |
| | ----- | ----- |

Edgar Filing: DAXOR CORP - Form 10-Q

| | | |
|--|---------------|---------------|
| Total Liabilities | 8,770,367 | 10,903,280 |
| SHAREHOLDERS' EQUITY | | |
| Common stock, par value \$.01 per share: | | |
| Authorized 10,000,000 shares: issued and | | |
| outstanding shares 4,664,909 September 30, | | |
| 2001 and 4,664,909 December 31, 2000 | 53,097 | 53,097 |
| Additional Paid in capital | 9,798,232 | 9,798,232 |
| Net unrealized holding gains | | |
| on available-for-sale securities (Note 1) | 13,110,085 | 17,493,387 |
| Retained earnings | 16,413,841 | 16,140,652 |
| Treasury stock | (4,813,530) | (4,813,530) |
| Total Shareholders' Equity | 34,561,725 | 38,671,838 |
| Total Liabilities and Shareholders' Equity | \$ 43,332,092 | \$ 49,575,118 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements

F-1

DAXOR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | THREE MONTHS ENDED | | NINE MONTHS ENDED | |
|---|--------------------|------------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2001 | 2000 | 2001 | 2000 |
| | ---- | ---- | ---- | ---- |
| REVENUES: | | | | |
| Operating revenues | \$ 185,705 | \$ 167,211 | \$ 464,699 | \$ 520,000 |
| Other revenues | 44,180 | 15,267 | 143,504 | 60,000 |
| Dividend income | 452,536 | 456,104 | 1,391,701 | 1,391,701 |
| Gains (losses) on sale of securities | 2,171 | 178,238 | 11,902 | 18,000 |
| Total Revenues | 684,592 | 816,820 | 2,011,806 | 2,170,000 |
| ----- | | | | |
| COSTS AND EXPENSES | | | | |
| Operations of Laboratories | 171,577 | 324,846 | 600,790 | 840,000 |
| Selling, General, and Administrative | 344,594 | 355,842 | 1,015,196 | 1,050,000 |
| Interest expense, net of interest income | 32,320 | 57,393 | 101,903 | 150,000 |
| Total Costs and Expenses | 548,491 | 738,081 | 1,717,889 | 2,060,000 |
| ----- | | | | |
| Net Income (Loss) Before Income Taxes | 136,101 | 78,739 | 293,917 | 110,000 |

Edgar Filing: DAXOR CORP - Form 10-Q

| | | | | |
|---|------------|-----------|------------|-------|
| Provision for income taxes | (2,864) | 12,386 | 20,728 | 1 |
| | ----- | ----- | ----- | ----- |
| Net Income (Loss) | \$ 138,965 | \$ 66,353 | \$ 273,189 | \$ 9 |
| | ===== | ===== | ===== | ===== |
| Weighted Average Number of Shares Outstanding | 4,664,909 | 4,672,909 | 4,664,909 | 4,67 |
| Net Income or (Loss) per Common Equivalent Share | \$ 0.03 | \$ 0.01 | \$ 0.06 | \$ |
| | ===== | ===== | ===== | ===== |

See accompanying notes to financial statements

F-2

DAXOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED

| | SEPTEMBER 30, 2001 ---- | SEPTEMBER 30, 2000 ---- |
|--|-------------------------------|-------------------------------|
| ----- | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| ----- | | |
| Net income or (loss) | \$ 273,189 | \$ 98,585 |
| | ----- | ----- |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation equipment and improvements | 34,801 | 42,996 |
| (Gain) loss on sale of investments | (11,902) | (184,243) |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (78,022) | (101,834) |
| (Increase) decrease in other current assets | (19,425) | 181,886 |
| (Increase) decrease in other assets | 1,100 | 3,000 |
| Increase (decrease) in accounts payable, accrued and other liabilities net of "short sales" | (3,784) | (78,603) |
| | ----- | ----- |
| Total adjustments | (77,232) | (136,798) |
| | ----- | ----- |
| Net cash provided by or (used in) operating activities | 195,957 | (38,213) |
| | ----- | ----- |
| ----- | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| ----- | | |
| Payment for purchase of equipment and improvements | (994) | (2,900) |
| Net cash provided or (used) in purchase and sale of investments | (354,404) | 922,535 |

Edgar Filing: DAXOR CORP - Form 10-Q

| | | |
|--|-----------|-----------|
| Net proceeds (repayments) of loans from | | |
| brokers used to purchase investments | 192,918 | (687,667) |
| Proceeds from "short sales" not closed | 3,609 | 27,342 |
| | ----- | ----- |
| Net cash provided by or (used in) investing activities | (158,871) | 259,310 |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| | ----- | ----- |
| Payment for purchase of treasury stock | | (269,813) |
| Net cash provided by or (used in) financing activities | -- | (269,813) |
| | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | 37,086 | (48,716) |
| Cash and cash equivalents at beginning of year | 18,439 | 67,783 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 55,525 | \$ 19,067 |
| | ===== | ===== |

See accompanying notes to financial statements

F-3

DAXOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 2001, and December 31, 2000, the results of operations for the three and nine months ended September 30, 2001 and 2000 and cash flows for the nine months ended September 30, 2001 and 2000. The consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation.

(1) MARKETABLE SECURITIES

Upon adoption of FASB No. 115, management has determined that the company's portfolio is best characterized as "Available-For-Sale". This has resulted in the balance sheet carrying value of the company's marketable securities investments, as of September 30, 2001 and December 31, 2000 being increased approximately 88.22% and 119.30% respectively over its historical cost. A corresponding increase in shareholders' equity has been effectuated. In accordance with the provisions of FASB No. 115, the adjustment in shareholders' equity to reflect the company's unrealized gains has been made net of the tax effect had these gains been realized.

The following tables summarize the company's investments as of :

September 30, 2001

Edgar Filing: DAXOR CORP - Form 10-Q

| Type of ----- security ----- | Cost ----- | Fair Value ----- | Unrealized ----- holding gains ----- | Unrealized ----- holding losses ----- |
|---------------------------------------|---------------|---------------------|---|--|
| Equity | \$22,501,134 | \$47,378,851 | \$20,805,341 | \$ 927,624 |
| Debt | 14,859 | 900 | -0- | 13,959 |
| | ----- | ----- | ----- | ----- |
| Total | \$22,515,993 | \$42,379,751 | \$20,805,341 | \$ 941,583 |
| | ===== | ===== | ===== | ===== |

September 30, 2000

| Type of ----- security ----- | Cost ----- | Fair Value ----- | Unrealized ----- holding gains ----- | Unrealized ----- holding losses ----- |
|---------------------------------------|---------------|---------------------|---|--|
| Equity | \$22,202,412 | \$48,721,503 | \$27,425,484 | \$ 906,393 |
| Debt | 14,859 | 900 | 0 | 13,959 |
| | ----- | ----- | ----- | ----- |
| Total | \$22,217,271 | \$48,722,403 | \$27,425,484 | \$ 920,352 |
| | ===== | ===== | ===== | ===== |

At September 30, 2001 the securities held by the Company had a market value of \$ 42,379,751 and a cost basis of \$ 22,515,993 resulting in a net unrealized gain of \$ 19,863,758 or 88.22% of cost.

At December 31, 2000 the securities held by the Company had a market value of \$48,722,403 and a cost basis of \$ 22,217,271 resulting in a net unrealized gain of \$26,505,132 or 119.30% of cost.

At September 30, 1999 and December 31, 1998 marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value.

(2) LOANS PAYABLE

As at September 30, 2001 and December 31, 2000, the Company had loans outstanding aggregating \$1,000,000 borrowed on a short term basis from a bank, which are secured by certain marketable securities of the Company. The loans bear interest at approximately 7.1875%.

Short term margin debt due to brokers, secured by the Companies marketable securities, totaled \$968,281 at September 30, 2001 and \$775,363 at December 31, 2000.

Part II OTHER INFORMATION

Item 1.

Edgar Filing: DAXOR CORP - Form 10-Q

Legal Proceedings

None

MANAGEMENT'S DISCUSSION AND ANALYSIS RESULTS OF OPERATIONS AND FINANCIAL CONDITION

ITEM 2.

RESULTS OF OPERATIONS

Three months ended September 30, 2001 as compared with three months ended September 30, 2000.

For the three months ended September 30, 2001 total revenues were \$684,592 down from \$816,820 in 2000. Operating revenues were \$185,705 in 2001 up from \$167,211 in 2000. Dividend income was \$452,536 with a net interest expense of \$32,320 in 2001, as compared to dividend income of \$456,104 with a net interest expense of \$57,393 in 2000. In 2001, the Company had a net income of \$136,101 before income taxes versus a net income of \$78,739 before income taxes in 2000. The Company anticipates that it's sales of equipment and kits will become the major source of income for the Company.

Nine months ended September 30, 2001 as compared with nine months ended September 30, 2000.

For the nine months ended September 30, 2001, total revenues were \$2,011,806 down from \$2,174,599 in 2000. Operating revenues were \$464,699 down from \$529,208 in 2000. Dividend income was \$1,391,701 with a net interest expense of \$101,903, as compared to the dividend income of \$1,395,649 with a net interest expense of \$157,567 in 2000. In 2000, the Company had \$184,243 in capital gains vs. \$11,902 in 2001. In 2001, the Company had a net income of \$293,917 before income taxes versus \$112,331 before income taxes in 2000. Operations income in 2000 was greater than in 2001 because of direct sales of the BVA-100. The Company has adopted a policy that encourages leasing or renting of equipment to enable hospitals to test the equipment. This results in a sale of kits but a slower recognition of operating income from BVA sales.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2001 the Company had total assets of \$43,332,092 and total liabilities of \$8,770,367 with shareholders' equity of \$34,561,725. The Company has a net pre-taxed unrealized gain of \$19,863,758 and \$13,110,085 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Shareholders' Equity. The Company's stock portfolio had a market value of \$42,379,751 with short-term loans of \$1,968,281 with 4,664,909 shares outstanding.

The Company has adequate resources for the current marketing level of its Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. The Company is reviewing various options in regard to establishing a nationwide sales force as opposed to utilizing independent local dealer distribution networks for marketing the Blood Volume Analyzer. The Company is currently negotiating a possible agreement in the near future for distribution of the Blood Volume Analyzer in Japan. The Company has an instrument loaner reagent plan which requires use of the Company's reserves.

Under a sale or a lease plan, the Company receives income immediately on its equipment. The equipment loaner reagent plan permits a user to make a minimal initial capital commitment. This results in a slower return on capital expenditure for the Company. The Company is currently leasing its equipment

Edgar Filing: DAXOR CORP - Form 10-Q

directly. If the leasing program becomes more widely accepted, then the Company will attempt to arrange for leases through independent leasing companies, to whom it will sell the BVA-100. The Company is evaluating blood volume instrumentation management programs for hospitals. Under such a plan, the Company would provide equipment and personnel on a sub-contract basis. The Company will use its current financial reserves primarily for developing and marketing the Blood Volume Analyzer. The Company is evaluating various options to expand blood banking services in conjunction with the use of the Blood Volume Analyzer.

The Company did not file any reports on form 8-K.