

TRANSGENOMIC INC  
Form 10-Q  
November 14, 2007

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**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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**(Mark One)**

**x**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended September 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: 000-30975**

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**TRANSGENOMIC, INC.**  
**(Exact name of registrant as specified in its charter)**

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**Delaware**  
**(State or other jurisdiction of  
incorporation or organization)**

**911789357**  
**(I.R.S. Employer  
Identification No.)**

**12325 Emmet Street, Omaha, Nebraska**  
**(Address of principal executive offices)**

**68164**  
**(Zip Code)**

**(402) 452-5400**  
**(Registrant's telephone number, including area code)**

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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 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, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934.

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 Securities Exchange Act of 1934) Yes ☐ No ☒

As of September 30, 2007, the number of shares of common stock outstanding was 49,189,672.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**TRANSGENOMIC, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands except per share data)

	September 30, 2007 (unaudited)	December 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,543	\$ 5,868
Accounts receivable (net of allowances for bad debts of \$585 and \$613, respectively)	5,646	6,525
Inventories	4,492	2,672
Prepaid expenses and other current assets	905	540
Total current assets	17,586	15,605
<b>PROPERTY AND EQUIPMENT:</b>		
Equipment	10,759	10,345
Furniture and fixtures	4,058	3,820
	14,817	14,165
Less: accumulated depreciation	13,251	12,667
	1,566	1,498
<b>OTHER ASSETS:</b>		
Goodwill	638	638
Other assets	725	853
Non-current assets of discontinued operations	—	2,773
	\$ 20,515	\$ 21,367
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,964	\$ 1,558
Other accrued expenses	3,882	2,898
Accrued compensation	575	689
Current liabilities of discontinued operations	—	184
Total current liabilities	6,421	5,329
Other long-term liabilities	129	—
Total liabilities	6,550	5,329
<b>COMMITMENTS AND CONTINGENCIES STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$.01 par value, 15,000,000 shares authorized, none outstanding	—	—
Common stock, \$.01 par value, 100,000,000 and 60,000,000 shares authorized, respectively, 49,189,672 and 49,189,672 shares outstanding, respectively	497	497
Additional paid-in capital	139,054	138,966
Accumulated other comprehensive income	2,387	2,100
Accumulated deficit	(127,973)	(125,525)
Total stockholders' equity	13,965	16,038

\$	20,515	\$	21,367
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See notes to condensed consolidated financial statements.

**TRANSGENOMIC, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars in thousands except per share data)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>NET SALES</b>	\$ 5,151	\$ 4,919	\$ 16,645	\$ 17,605
<b>COST OF GOODS SOLD</b>	2,500	2,607	7,872	9,261
Gross profit	2,651	2,312	8,773	8,344
<b>OPERATING EXPENSES:</b>				
Selling, general and administrative	2,672	3,305	8,719	8,834
Research and development	720	586	2,270	1,721
Restructuring Charge	681	—	1,305	—
	4,073	3,891	12,294	10,555
<b>LOSS FROM OPERATIONS</b>	(1,422)	(1,579)	(3,521)	(2,211)
<b>OTHER INCOME (EXPENSE):</b>				
Interest income (expense)	75	(7)	215	149
Gain on sale of investment	—	—	938	—
Other, net	4	68	8	—
	79	61	1,161	149
<b>LOSS BEFORE INCOME TAXES</b>	(1,343)	(1,518)	(2,360)	(2,062)
<b>INCOME TAX EXPENSE</b>	6	7	25	24
<b>LOSS FROM CONTINUING OPERATIONS</b>	(1,349)	(1,525)	(2,385)	(2,086)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	—	(164)	66	(304)
<b>NET LOSS</b>	\$ (1,349)	\$ (1,689)	\$ (2,319)	\$ (2,390)
<b>COMPREHENSIVE LOSS</b>	\$ (1,217)	\$ (1,350)	\$ (2,032)	\$ (1,552)
<b>BASIC AND DILUTED LOSS PER SHARE:</b>				
From continuing operations	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ (0.04)
From discontinued operations	(0.00)	0.00	(0.00)	(0.01)
	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ (0.05)
<b>BASIC WEIGHTED AVERAGE SHARES OUTSTANDING</b>	49,189,672	49,189,672	49,189,672	49,188,040
<b>DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING</b>	49,189,672	49,189,672	49,189,672	49,188,040

See notes to condensed consolidated financial statements.

**TRANSGENOMIC, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**Nine Months Ended September 30, 2007**  
**(Dollars in thousands except per share data)**

**Common Stock**

	<b>Outstanding Shares</b>	<b>Par Value</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total</b>
Balance, December 31, 2006	49,189,672	\$ 497	\$ 138,966	\$ (125,525)	\$ 2,100	\$ 16,038
Cumulative effect of adoption of FIN 48 (Note H)	—	—	—	(129)	—	(129)
Balance, January 1, 2007	49,189,672	\$ 497	\$ 138,966	\$ (125,654)	\$ 2,100	\$ 15,909
Net loss	—	—	—	(2,319)	(2,319)	(2,319)
Other comprehensive loss:						
Foreign currency translation adjustment	—	—	—	—	287	287
Comprehensive loss	—	—	—	—	(2,032)	—
Stock-based compensation	—	—	87	—	—	87
Balance, September 30, 2007	49,189,672	\$ 497	\$ 139,054	\$ (127,973)	\$ 2,387	\$ 13,965

See notes to condensed consolidated financial statements.

**TRANSGENOMIC, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,319)	\$ (2,390)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	978	