

NeuroMetrix, Inc.
Form 10-Q
August 14, 2009

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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, 2009

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 001-33351

NEUROMETRIX, INC.

(Exact name of registrant as specified in its charter)

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 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 (§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 ☐

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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 definition of "accelerated filer", "large 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 14,090,713 shares of common stock, par value \$0.0001 per share, were outstanding as of July 31, 2009.

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Quarterly Period Ended June 30, 2009

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

	June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,465,449	\$ 12,302,284
Short-term held-to-maturity investments	9,990,000	7,495,000
Accounts receivable, net of allowance for doubtful accounts of \$550,000 and \$650,000 at June 30, 2009 and December 31, 2008, respectively	3,469,928	3,660,848
Inventories	5,056,832	5,606,807
Prepaid expenses and other current assets	374,911	313,795
Current portion of deferred costs	180,208	263,755
Total current assets	24,537,328	29,642,489
Restricted cash	408,000	408,000
Fixed assets, net	973,674	1,073,176
Intangible assets, net	315,000	
Deferred costs	87,794	116,972
Other long-term assets	74,324	137,705
Total assets	\$ 26,396,120	\$ 31,378,342
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,315,605	\$ 201,275
Accrued compensation	1,338,986	1,335,430
Accrued expenses	1,280,712	5,386,699
Current portion of deferred revenue	836,551	1,057,215
Current portion of capital lease obligation	26,147	29,748
Total current liabilities	4,798,001	8,010,367
Deferred revenue, net of current portion	417,885	483,365
Capital lease obligation, net of current portion	49,534	52,059
Total liabilities	5,265,420	8,545,791
Commitments and contingencies (Notes 7 and 9)		
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; 14,090,713 and 13,858,797 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	1,409	1,386
Additional paid-in capital	113,942,199	112,626,802

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Accumulated deficit	(92,812,908)	(89,795,637)
Total stockholders' equity	21,130,700	22,832,551
Total liabilities and stockholders' equity	\$ 26,396,120	\$ 31,378,342

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

Table of Contents**NeuroMetrix, Inc.****Statements of Operations****(Unaudited)**

	Quarter Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Consolidated)		(Consolidated)	
Revenues:				
Medical equipment	\$ 704,803	\$ 512,309	\$ 1,403,772	\$ 1,262,213
Consumables	6,055,616	7,615,491	12,182,225	15,601,278
Total revenues	6,760,419	8,127,800	13,585,997	16,863,491
Cost of revenues	1,934,920	2,302,648	3,875,308	4,618,568
Gross margin	4,825,499	5,825,152	9,710,689	12,244,923
Operating expenses:				
Research and development	1,408,674	1,475,172	2,730,436	2,941,176
Sales and marketing	2,921,094	3,966,170	5,441,608	9,460,132
General and administrative	2,360,143	3,483,614	4,692,233	6,849,989
Charge for impaired goodwill				5,833,464
Total operating expenses	6,689,911	8,924,956	12,864,277	25,084,761
Loss from operations	(1,864,412)	(3,099,804)	(3,153,588)	(12,839,838)
Loss on available-for-sale investment		(1,401,146)		(2,057,165)
Interest income	63,646	202,560	136,317	493,585
Other income		52,500		78,750
Loss from continuing operations	(1,800,766)	(4,245,890)	(3,017,271)	(14,324,668)
Loss from discontinued operations		(682,048)		(1,410,787)
Net loss	\$ (1,800,766)	\$ (4,927,938)	\$ (3,017,271)	\$ (15,735,455)
Per common share data, basic and diluted:				
Loss from continuing operations	\$ (0.13)	\$ (0.31)	\$ (0.22)	\$ (1.05)
Loss from discontinued operations		(0.05)		(0.10)
Net loss	\$ (0.13)	\$ (0.36)	\$ (0.22)	\$ (1.15)
Weighted average number of common shares outstanding, basic and diluted	13,948,138	13,693,449	13,926,502	13,691,792

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

Table of Contents**NeuroMetrix, Inc.****Statements of Cash Flows****(Unaudited)****Six Months Ended
June 30,****2009****2008****(Consolidated)****Cash flows from operating activities:**

Net loss	\$ (3,017,271)	\$ (15,735,455)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	301,517	911,544
Stock-based compensation	1,070,263	1,366,985
Provision for doubtful accounts	(58,186)	50,565
Accretion of discount on investments		(38,572)
Loss on available-for-sale investment		2,057,165
Provision for inventory obsolescence	227,962	
Goodwill impairment		5,833,464
Other income		(78,750)
Changes in operating assets and liabilities:		
Accounts receivable	249,106	652,106
Inventories	322,013	(790,952)
Prepaid expenses and other current assets	(61,116)	(362,109)
Other long-term assets	63,381	(55,082)
Accounts payable	1,114,330	(1,079,254)
Legal settlement	(3,705,866)	
Accrued expenses and compensation	(396,565)	(490,423)
Other liabilities	4,295	(14,546)
Deferred revenue and deferred costs	(173,419)	(117,428)
Net cash used in operating activities	(4,059,556)	(7,890,742)

Cash flows from investing activities:

Purchases of investments	(4,995,000)	(1,050,598)
Maturities of investments	2,500,000	14,453,000
Purchases of fixed assets	(167,015)	(239,327)
Purchase of technological and intellectual property	(350,000)	
Release of restricted cash		1,050,598
Net cash (used in) provided by investing activities	(3,012,015)	14,213,673

Cash flow from financing activities:

Proceeds from issuance of common stock	150,113	94,733
Proceeds from issuance of common stock under employee stock purchase plan	95,044	
Proceeds from exercise of stock options		5,403
Payments on capital lease	(10,421)	(6,450)

Net cash provided by financing activities

RATIO OF EARNINGS

TO FIXED CHARGES AND PREFERRED STOCK

DIVIDENDS

SECURITIES WE MAY OFFER

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