ERESEARCHTECHNOLOGY INC /DE/
Form 10-Q
May 05, 2004
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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 MARCH 31, 2004.

OR

TRANSITIONAL 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)

DELAWARE	**22-3264604**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
30 South 17th Street Philadelphia, PA	**19103**
(Address of principal executive offices)	(Zip Code)

215-972-0420

(Registrant s telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report)

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 is an accelerated filer (as defined in Rule 12b-2 of the 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 30, 2004, was **34,300,875**.

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eResearchTechnology, Inc. and Subsidiaries

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Part 1. Financial Information
Item 1. Consolidated Financial Statements

eResearchTechnology, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	December 31, 2003	March 31, 2004
		(unaudited)
Assets		
Current Assets:		
Cash and cash equivalents	$ 38,364	$ 41,192
Short-term investments	13,558	20,862
Accounts receivable, net	13,947	18,182
Prepaid expenses and other	2,219	3,203
Deferred income taxes	277	277
Total current assets	68,365	83,716
Property and equipment, net	16,416	18,519
Goodwill	1,212	1,212
Investments in non-marketable securities	509	509
Other assets	168	175
Deferred income taxes	5,308	4,315
Total assets	$ 91,978	$ 108,446
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 3,513	$ 3,507
Accrued expenses	4,446	3,780
Income taxes payable	1,584	1,590
Current portion of capital lease obligations	644	590
Deferred revenues	12,401	17,784
Total current liabilities	22,588	27,251
Capital lease obligations, excluding current portion	131	25
Commitments and contingencies		
Stockholders Equity:		
Preferred stock - $10.00 par value, 500,000 shares authorized, none issued and outstanding		
Common stock - $.01 par value, 50,000,000 shares authorized, 36,490,609 and 36,874,888 shares issued, respectively	365	369
Additional paid-in capital	54,420	58,930

Accumulated other comprehensive income	1,038	1,167
Retained earnings	16,826	24,094
Treasury stock, 2,708,346 shares at cost	(3,390)	(3,390)
Total stockholders equity	69,259	81,170
Total liabilities and stockholders' equity	$ 91,978	$ 108,446

The accompanying notes are an integral part of these statements.

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eResearchTechnology, Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2003	**2004**
Net revenues:		
Licenses	$ 1,189	$ 2,453
Services	12,394	23,639
Total net revenues	13,583	26,092
Costs of revenues:		
Cost of licenses	144	122
Cost of services	5,187	8,348
Total costs of revenues	5,331	8,470
Gross margin	8,252	17,622
Operating expenses:		
Selling and marketing	1,823	2,453
General and administrative	1,509	2,150
Research and development	1,064	973
Total operating expenses	4,396	5,576
Operating income	3,856	12,046
Other income, net	56	108
Income before income taxes	3,912	12,154
Income tax provision	1,457	4,886
Net income	$ 2,455	$ 7,268
Basic net income per share	$ 0.08	$ 0.21
Diluted net income per share	$ 0.07	$ 0.20
Shares used to calculate basic net income per share	32,202	33,955
Shares used to calculate diluted net income per share	34,998	36,937

The accompanying notes are an integral part of these statements.

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eResearchTechnology, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2004
Operating activities:		
Net income	$ 2,455	$ 7,268
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,097	2,006
Provision for uncollectible accounts		39
Stock option income tax benefits	1,475	3,647
Changes in operating assets and liabilities:		
Accounts receivable	(2,156)	(4,188)
Prepaid expenses and other	(151)	(995)
Accounts payable	(416)	(14)
Accrued expenses	(545)	(669)
Income taxes	(381)	960
Deferred revenues	(248)	5,349
Net cash provided by operating activities	1,130	13,403
Investing activities:		
Purchases of property and equipment	(1,677)	(4,035)
Purchases of short-term investments	(1,800)	(10,900)
Proceeds from sales of short-term investments	292	3,596
Net cash used in investing activities	(3,185)	(11,339)
Financing activities:		
Repayment of capital lease obligations	(145)	(161)
Proceeds from exercise of stock options	1,720	867
Net cash provided by financing activities	1,575	706
Effect of exchange rate changes on cash	(87)	58
Net increase (decrease) in cash and cash equivalents	(567)	2,828
Cash and cash equivalents, beginning of period	17,443	38,364
Cash and cash equivalents, end of period	$ 16,876	$ 41,192

The accompanying notes are an integral part of these statements.

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eResearchTechnology, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements, which include the accounts of eResearchTechnology, Inc. (the "Company") and its wholly owned subsidiaries, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. Further information on potential factors that could affect the Company’s financial results can be found in the Company’s Report on Form 10-K filed with the Securities and Exchange Commission and in this Form 10-Q.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Management's Use of Estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment. Pursuant to Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," the Company capitalizes certain costs associated with internally developed and/or purchased software systems for new products and enhancements to existing products that have reached the application development stage and meet recoverability tests. These costs are included in property and equipment. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining internal-use software, and payroll and payroll-related expenses for employees who are directly associated with and devote time to the internal-use software project.

Amortization of capitalized software development costs is charged to cost of revenues. Amortization of capitalized software development costs was $252,000 and $581,000 for the three months ended March 31, 2003 and 2004, respectively. For the three months ended March 31, 2003 and 2004, the Company capitalized $364,000 and $452,000, respectively, of software development costs related to labor and consulting, and $3,000 and $1,139,000, respectively, of software development costs related to direct costs of materials. All research and development costs have been expensed as incurred.

In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment and Disposal of Long-Lived Assets,” when events or circumstances so indicate, the Company assesses the potential impairment of its long-lived assets based on anticipated undiscounted cash flows from the assets. Such events and circumstances include a sale of all or a significant part of the operations associated with the long-lived asset, or a significant decline in the operating performance of the asset. If an impairment is indicated, the amount of the impairment charge would be calculated by comparing the anticipated discounted future cash flows to the carrying value of the long-lived asset. At March 31, 2004, no impairment was indicated.

Stock-Based Compensation. In December 2002, SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure,” was issued. SFAS No. 148 amended SFAS No. 123, “Accounting for Stock-Based Compensation,” to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 related to the disclosures about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS No. 148 are applicable to interim or annual periods that end after December 15, 2002, and as such have been incorporated below.

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SFAS No. 123, as amended by SFAS No. 148, permits companies to (i) recognize as expense the fair value of stock-based awards, or (ii) continue to apply the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations, and provide pro forma net income and earnings per share disclosures for employee stock option grants as if the fair value based method defined in SFAS No. 123 had been applied. The Company continues to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures in accordance with the provisions of SFAS Nos. 123 and 148. Under APB Opinion No. 25, the Company has not recorded any stock-based employee compensation cost associated with the Companys stock option plans, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to its stock option plans (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2003	**2004**
Net income, as reported	$ 2,455	$ 7,268
Deduct: Net stock-based employee compensation expense determined under fair value based method, net of related tax effects	(212)	(705)
Pro forma net income	$ 2,243	$ 6,563
Earnings per share:		
Basic - as reported	$ 0.08	$ 0.21
Basic - pro forma	$ 0.07	$ 0.19
Diluted - as reported	$ 0.07	$ 0.20
Diluted - pro forma	$ 0.06	$ 0.18

Pro forma net income reflects only options granted through March 31, 2004 and, therefore, may not be representative of the effect for future periods.

Stock Splits. On May 29, 2003, the Company effected a 2-for-1 split of its common stock and on November 26, 2003, the Company effected a 3-for-2 split of its common stock. All share and per share data have been restated to reflect these splits of the Companys common stock as if the stock splits had occurred as of December 31, 2002.

Note 3. Investment Impairment Charge Non-Marketable Securities

At March 31, 2004, investments in non-marketable securities consist of an investment in Essential Group, Inc. (formerly AmericasDoctor, Inc.), which is accounted for under the cost method in accordance with APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. During 2001, in accordance with APB Opinion No. 18, management determined that a decrease in value of the investment occurred which was deemed to be other than temporary, and as a result wrote down the cost basis of the investment from $2,300,000 to $509,000. For the three months ended March 31, 2003 and 2004, no investment impairment charge was recorded.

The Company will continue to assess the fair value of this investment and whether or not any decline in fair value below the current cost basis is deemed to be other than temporary. If a decline in the fair value of this investment is judged to be other than temporary, the cost basis of this investment would be written down to fair value, and the amount of the write-down would be included in the Company's results.

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Note 4. Net Income per Common Share

The Company follows SFAS No. 128, Earnings per Share. This statement requires the presentation of basic and diluted earnings per share. Basic net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period, adjusted for the dilutive effect of common stock equivalents, which consist of stock options, using the treasury stock method.

The tables below set forth the reconciliation of the numerators and denominators of the basic and diluted net income per share computations (in thousands, except per share amounts):

Three Months Ended March 31,

2003	**Net Income**	**Shares**	**Per Share Amount**
Basic net income	$ 2,455	32,202	$ 0.08
Effect of dilutive shares		2,796	(0.01)
Diluted net income	$ 2,455	34,998	$ 0.07
2004			
Basic net income	$ 7,268	33,955	$ 0.21
Effect of dilutive shares		2,982	(0.01)
Diluted net income	$ 7,268	36,937	$ 0.20

Options to purchase 4,309,536 shares of common stock were outstanding at March 31, 2003 and were included in the computation of diluted net income per share for the three months ended March 31, 2003.

Options to purchase 4,321,214 shares of common stock were included in the computation of diluted net income per share for the three months ended March 31, 2004. Options to purchase 399,200 shares of common stock were outstanding at March 31, 2004 but were not included in the computation of diluted net income per share because the exercise prices were greater than the average market price of the Company's common stock during the period.

Note 5. Comprehensive Income

The Company follows SFAS No. 130, Reporting Comprehensive Income. The Company's comprehensive income includes net income and unrealized gains and losses from foreign currency translation as follows (in thousands):

	Three Months Ended March 31,	
	2003	**2004**
Net income	$ 2,455	$ 7,268
Other comprehensive income:		
Currency translation adjustment	(100)	129
Comprehensive income	$ 2,355	$ 7,397

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Note 6. Recent Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. The requirements for variable interest entities after January 31, 2003 were adopted on February 1, 2003. The Companys current results of operations and financial position have not been affected. In December 2003, a modification of FIN 46 was issued (FIN 46R) which delayed the effective date until no later than fiscal periods ending after March 15, 2004 and provided additional technical clarifications to implementation issues. The Company currently does not have any variable interest entities as defined in FIN 46R. The adoption of this statement did not have any impact on the Companys consolidated financial statements.

In May 2003, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables, (EITF 00-21). EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. It also addresses when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. The guidance in EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No. 00-21 did not have any impact on the Companys consolidated financial statements.

SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, was issued in May 2003. This Statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The Statement also includes required disclosures for financial instruments within its scope. For the Company, the Statement was effective for instruments entered into or modified after May 31, 2003 and otherwise was effective as of January 1, 2004, except for mandatorily redeemable financial instruments. For certain mandatorily redeemable financial instruments, the Statement will be effective for the Company on January 1, 2005. The effective date has been deferred indefinitely for certain other types of mandatorily redeemable financial instruments. The Company currently does not have any financial instruments that are within the scope of this Statement.

Note 7. Operating Segments / Geographic Information

Commencing in 2003, the Company considers its operations to consist of one segment. The development of the one segment approach corresponds to the implementation of the Companys refinement in strategic focus in late 2002, and represents managements view of the Companys operations.

The Company operates on a worldwide basis with two locations in the United States and one location in the United Kingdom, which is categorized below as North America and Europe, respectively.

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Geographic information is as follows (in thousands):

	Three Months Ended March 31, 2003		
	North America	Europe	Total
License revenues	$ 1,087	$ 102	$ 1,189
Service revenues	10,180	2,214	12,394
Net revenues from external customers	$ 11,267	$ 2,316	$ 13,583
Income from operations	$ 3,203	$ 653	$ 3,856
Long-lived assets	$ 13,074	$ 1,266	$ 14,340
Identifiable assets	$ 51,168	$ 6,229	$ 57,397

	Three Months Ended March 31, 2004		
	North America	Europe	Total
License revenues	$ 2,295	$ 158	$ 2,453
Service revenues	20,092	3,547	23,639
Net revenues from external customers	$ 22,387	$ 3,705	$ 26,092
Income from operations	$ 11,270	$ 776	$ 12,046
Long-lived assets	$ 15,720	$ 4,010	$ 19,730
Identifiable assets	$ 99,763	$ 8,683	$ 108,446

Note 8. Subsequent Events

On April 21, 2004, the Company announced that its Board of Directors approved a 3-for-2 split of its common stock. The shares will be distributed on May 27, 2004, to stockholders of record on May 6, 2004. In addition, the Company also announced on April 21, 2004 that its Board of Directors authorized a common stock buyback program of up to 500,000 shares, after taking into account shares that will be issued for the 3-for-2 split.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement for Forward-Looking Information

The following discussion and analysis should be read in conjunction with our financial statements and the related notes to the consolidated financial statements appearing elsewhere in this report. The following includes a number of forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to future events and financial performance. We use words such as anticipate, believe, expect, intend, and similar expressions to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to risks and uncertainties such as competitive factors, technology development, market demand and our ability to obtain new contracts and accurately estimate net revenues due to variability in size, scope and duration of projects, and internal issues of the sponsoring client. These and other risk factors have been further discussed in our Report on Form 10-K for the year ended December 31, 2003. Such risks and uncertainties could cause actual results to differ materially from historical results or future predictions. Further information on potential factors that could affect our financial results can be found throughout this Form 10-Q and our other reports filed with the Securities and Exchange Commission.

Overview

We provide technology and services that enable the pharmaceutical, biotechnology and medical device industries to collect, interpret and distribute cardiac safety and clinical data more efficiently. We are a market leader in providing centralized electrocardiographic services (Cardiac Safety services or EXPeRT eECG services) and a leading provider of technology and services that streamline the clinical trials process by enabling our clients to evolve from traditional, paper-based methods to electronic processing using our Clinical Data Management products and services.

We were founded in 1977 to provide Cardiac Safety services to evaluate the safety of new drugs. In February 1997, we completed an initial public offering of our common stock. In October 1997, we acquired the assets and business of a provider of clinical data management technology and consulting services to the pharmaceutical, biotechnology and medical device industries. Starting in 2000, we concentrated our products and services offerings on providing premier Cardiac Safety and Clinical Data Management services.

Our solutions improve the accuracy, timeliness and efficiency of trial set-up, data collection and interpretation and new drug, biologic and device application submission. We offer Cardiac Safety services, which are utilized by clinical trial sponsors and clinical research organizations during their conduct of clinical trials. Our services include comprehensive Thorough Phase I ECG studies and the Digital ECG Franchise program, which offers a unique approach designed to address the growing capacity demands for eRT's ECG services through partnerships with sponsors that desire dedicated resources within eRT to address specific levels of cardiac safety monitoring transactions. Additionally, we offer the licensing and/or hosting of our proprietary Clinical Data Management software products and the provision of maintenance and consulting services in support of our proprietary Clinical Data Management software products. We offer the following products and services on a global basis:

*EXPeRT*TM. EXPeRT Cardiac Safety services provide intelligent, workflow enabled cardiac safety data collection, interpretation and distribution of electrocardiographic (ECG) data and images as well as analysis and physician electrocardiographer interpretation of ECGs performed on research subjects in connection with our clients' clinical trials.

eResNet. The eResearch Network (eResNet) technology provides an integrated end-to-end clinical research solution that includes trials, data and safety management modules.

eDE. eData Entry (eDE) technology provides a comprehensive electronic data capture (EDC) capability comprised of technology and consulting services formulated to deliver rapid time to benefit for electronic trial initiatives.

*eResCom*eResearch Community (eResCom) is a central command and control portal that provides real-time information related to monitoring clinical trial activities, data quality and safety.

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Project Assurance/ Implementation Assurance. We provide a full spectrum of consulting services for all of our products that augment the study management and implementation efforts of clients in support of their clinical research requirements.

Our license revenues consist of license fees for perpetual license sales and monthly and annual license sales. Our service revenues consist of Cardiac Safety services, technology consulting and training services and software maintenance services.

We recognize software revenues in accordance with Statement of Position 97-2, Software Revenue Recognition, as amended by Statement of Position 98-9. Accordingly, we recognize up-front license fee revenues under the residual method when a formal agreement exists, delivery of the software and related documentation has occurred, collectability is probable and the license fee is fixed or determinable. We recognize monthly and annual license fee revenues over the term of the arrangement. Hosting service fees are recognized evenly over the term of service. Cardiac Safety services revenues consist of revenues that we provide on a fee for services basis as well as revenues from the rental of cardiac safety equipment. Such revenues are recognized as the services are performed or over the rental period. We recognize revenues from software maintenance contracts on a straight-line basis over the term of the maintenance contract, which is typically twelve months. We provide consulting and training services on a time and materials basis and recognize revenues as we perform the services.

For arrangements with multiple deliverables where the fair value of each element is known, the revenue is allocated to each component based on the relative fair values of each element. For arrangements with multiple deliverables where the fair value of the undelivered element(s) is known but the fair value of the delivered element is not known, revenue is allocated to each component of the arrangement using the residual value method based on the fair value of the undelivered elements, which is specific to us. Fair values for undelivered elements are based primarily upon stated renewal rates for future products or services.

Cost of licenses consists primarily of application service provider (ASP) fees for those clients that choose hosting, the cost of producing compact disks and related documentation and royalties paid to third parties in connection with their contributions to our product development. Cost of services includes the cost of Cardiac Safety services and the cost of technology consulting, training and maintenance services. Cost of Cardiac Safety services consists primarily of direct costs related to our centralized Cardiac Safety services and includes wages, cardiac safety equipment rent and related supplies, depreciation, shipping expenses and other direct operating costs. Cost of technology consulting, training and maintenance services consists primarily of wages, fees paid to outside consultants and other direct operating costs related to our consulting and client support functions. Selling and marketing expenses consist primarily of wages and commissions paid to sales personnel, travel expenses and advertising and promotional expenditures. General and administrative expenses consist primarily of wages and direct costs for our finance, administrative, corporate information technology and executive management functions, in addition to professional service fees and corporate insurance. Research and development expenses consist primarily of wages paid to our product development staff, costs paid to outside consultants and direct costs associated with the development of our technology products.

We conduct our operations through offices in the United States and the United Kingdom (UK). Our international net revenues represented approximately 17% and 14% of total net revenues for the three months ended March 31, 2003 and 2004, respectively.

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Results of Operations

The following table presents certain financial data as a percentage of total net revenues:

	Three Months Ended March 31,	
	2003	**2004**
Net revenues:		
Licenses	8.8%	9.4%
Services	91.2%	90.6%
Total net revenues	100.0%	100.0%
Costs of revenues:		
Cost of licenses	1.0%	0.5%
Cost of services	38.2%	32.0%
Total costs of revenues	39.2%	32.5%
Gross margin	60.8%	67.5%
Operating expenses:		
Selling and marketing	13.4%	9.4%
General and administrative	11.1%	8.2%
Research and development	7.9%	3.7%
Total operating expenses	32.4%	21.3%
Operating income	28.4%	46.2%
Other income, net	0.4%	0.4%
Income before income taxes	28.8%	46.6%
Income tax provision	10.7%	18.7%
Net income	18.1%	27.9%

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Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003.

The following table presents statements of operations with product line detail (in thousands):

	Three Months Ended March 31,			
	2003	**2004**	**Increase (Decrease)**	
Licenses:				
Net revenues	$ 1,189	$ 2,453	$ 1,264	106.3%
Costs of revenues	144	122	(22)	(15.3%)
Gross margin	$ 1,045	$ 2,331	$ 1,286	123.1%
Services:				
Cardiac Safety				
Net revenues	$ 10,536	$ 21,650	$ 11,114	105.5%
Costs of revenues	4,323	7,297	2,974	68.8%
Gross margin	$ 6,213	$ 14,353	$ 8,140	131.0%
Technology consulting				