

TRANSGENOMIC INC
Form 10-Q
August 15, 2016
Table of Contents

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, 2016

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

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

Delaware 91-1789357
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

12325 Emmet Street, Omaha, Nebraska 68164
(Address of principal executive offices) (Zip Code)
(402) 452-5400
(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 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 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

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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

As of July 31, 2016, the number of shares of common stock outstanding was 23,547,946.

Table of Contents

TRANSGENOMIC, INC.
INDEX

	Page No.
PART I. <u>FINANCIAL INFORMATION</u>	<u>3</u>
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets at June 30, 2016 (Unaudited) and December 31, 2015</u>	<u>3</u>
<u>Unaudited Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2016 and 2015</u>	<u>4</u>
<u>Unaudited Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months Ended June 30, 2016 and 2015</u>	<u>5</u>
<u>Unaudited Condensed Consolidated Statements of Stockholders' Deficit for the Six Months Ended June 30, 2016</u>	<u>6</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and 2015</u>	<u>7</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>35</u>
Item 4. <u>Controls and Procedures</u>	<u>35</u>
PART II. <u>OTHER INFORMATION</u>	<u>36</u>
Item 1. <u>Legal Proceedings</u>	<u>36</u>
Item 1A. <u>Risk Factors</u>	<u>36</u>
Item 6. <u>Exhibits</u>	<u>44</u>
<u>Signatures</u>	<u>47</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2016 (unaudited)	December 31, 2015 (unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 421	\$ 444
Accounts receivable, net	328	264
Inventories, net	39	50
Other current assets	325	537
Assets held for sale	690	1,987
Total current assets	1,803	3,282
PROPERTY AND EQUIPMENT:		
Equipment	5,592	5,593
Furniture, fixtures & leasehold improvements	1,565	1,565
	7,157	7,158
Less: accumulated depreciation	(6,953)	(6,899)
	204	259
OTHER ASSETS:		
Intangibles, net	1,029	1,170
Other assets	58	105
	\$ 3,094	\$ 4,816
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 7,814	\$ 7,596
Accounts payable	5,620	3,781
Accrued compensation	259	321
Accrued expenses	2,847	3,734
Deferred revenue	111	217
Other liabilities	1,068	1,068
Liabilities held for sale	—	264
Total current liabilities	17,719	16,981
LONG TERM LIABILITIES:		
Common stock warrant liability	1,442	350
Other long-term liabilities	223	305
Total liabilities	19,384	17,636
STOCKHOLDERS' DEFICIT:		
Convertible preferred stock, \$0.01 par value, 15,000,000 shares authorized, 214,705 and 4,029,502 shares issued and outstanding, respectively	2	40
Common stock, \$0.01 par value, 150,000,000 shares authorized, 23,103,875 and 13,915,691 shares issued and outstanding, respectively	231	139
Additional paid-in capital	201,140	200,403
Accumulated other comprehensive income	—	10
Accumulated deficit	(217,663)	(213,412)
Total stockholders' deficit	(16,290)	(12,820)

\$ 3,094 \$ 4,816

See notes to unaudited condensed consolidated financial statements.

3

Table of Contents

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
NET SALES	\$505	\$ 442	\$741	\$ 1,192
COST OF GOODS SOLD	542	465	1,047	930
Gross profit	(37)	(23)	(306)	262
OPERATING EXPENSES:				
Selling, general and administrative	1,436	1,908	3,140	3,712
Research and development	402	468	672	919
	1,838	2,376	3,812	4,631
OPERATING LOSS FROM CONTINUING OPERATIONS	(1,875)	(2,399)	(4,118)	(4,369)
OTHER INCOME (EXPENSE):				
Interest expense, net	(328)	(186)	(497)	(376)
Warrant revaluation	24	(270)	345	(415)
Other, net	—	—	—	(13)
	(304)	(456)	(152)	(804)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,179)	(2,855)	(4,270)	(5,173)
INCOME TAX BENEFIT	—	(1)	—	(1)
LOSS FROM CONTINUING OPERATIONS	(2,179)	(2,854)	(4,270)	(5,172)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES	1,182	(421)	9	(1,144)
NET LOSS	(997)	(3,275)	(4,261)	(6,316)
PREFERRED STOCK DIVIDENDS	—	(331)	(21)	(662)
NET LOSS FROM CONTINUING OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	(2,179)	(3,185)	(4,291)	(5,834)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	1,182	(421)	9	(1,144)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	\$(997)	\$(3,606)	\$(4,282)	\$(6,978)
BASIC AND DILUTED LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS	\$(0.10)	\$(0.26)	\$(0.20)	\$(0.54)
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE FROM DISCONTINUED OPERATIONS	\$0.05	\$(0.03)	\$—	\$(0.11)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$(0.05)	\$(0.30)	\$(0.20)	\$(0.65)
BASIC AND DILUTED WEIGHTED-AVERAGE SHARES OF COMMON STOCK OUTSTANDING	21,797,442	21,149,632	21,060,387	20,778,857

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARY
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
 (Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Loss	\$(997)	\$(3,275)	\$(4,261)	\$(6,316)
Other comprehensive loss - foreign currency translation adjustment	—	42	—	8
Comprehensive Loss	\$(997)	\$(3,233)	\$(4,261)	\$(6,308)

See notes to unaudited condensed consolidated financial statements.

Table of Contents

TRANSGENOMIC, INC. AND SUBSIDIARY
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
 Six Months Ended
 June 30, 2016
 (Dollars in thousands, except share data)

	Preferred Stock		Common Stock			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Outstanding Shares	Par Value	Outstanding Shares	Par Value					
Balance, December 31, 2015	4,029,502	\$ 40	13,915,691	\$ 139	\$ 200,403	\$(213,412)	\$ 10	\$(12,820)	
Net loss	—	—	—	—	—	(4,261)	—	(4,261)	
Foreign currency translation adjustment	—	—	—	—	—	10	(10)	—	
Stock-based compensation	—	—	—	—	141	—	—	141	
Issuance of common shares	—	—	257,467	2	105	—	—	107	
Private placement, net	2,365,243	24	—	—	519	—	—	—	