

ANALOGIC CORP

FORM 8-K (Current report filing)

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Address 8 CENTENNIAL DRIVE
PEABODY, MA, 01960
Telephone 9789773000
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SIC Code 3825 - Instruments for Measuring and Testing of Electricity and Electrical Signals
Industry Advanced Medical Equipment & Technology
Sector Healthcare
Fiscal Year 07/31

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): March 5, 2018

Analogic Corporation
(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction
of incorporation)

0-6715
(Commission
File Number)

04-2454372
(I.R.S. Employer
Identification No.)

**8 Centennial Drive, Peabody,
Massachusetts**
(Address of principal executive offices)

01960
Zip Code)

Registrant's telephone number, including area code: 978-326-4000

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On March 5, 2018, Analogic Corporation (the “Registrant”) announced its financial results for the fiscal quarter ended January 31, 2018. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Item 2.02 and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated March 5, 2018

Exhibit Index

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99.1	Press Release dated March 5, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

March 5, 2018

Analogic Corporation

By: /s/ Michael Bourque

Name: Michael Bourque

Title: Senior Vice President, Chief Financial Officer, and Treasurer



News Release

FOR IMMEDIATE WORLDWIDE RELEASE

For Further Information:

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Analogic Announces Results for the Second Quarter ended January 31, 2018 and Declares Quarterly Cash Dividend

PEABODY, Mass. (March 5, 2018)—Analogic Corporation (Nasdaq:ALOG), enabling the world's medical imaging and aviation security technology, today announced results for its second quarter ended January 31, 2018.

Highlights during the second quarter included:

- Revenue of \$129.2 million with gross margin of 44%
- GAAP operating margin of 12%; Non-GAAP operating margin of 15%
- GAAP diluted EPS of \$0.52; Non-GAAP diluted EPS of \$1.27
- Operating cash flow of \$21 million

Revenue for the second quarter of fiscal 2018 was \$129.2 million, a decrease of 2% compared with revenue of \$131.5 million in the second quarter of fiscal 2017. GAAP net income for the second quarter of fiscal 2018 was \$6.5 million, or \$0.52 per diluted share, compared with net income of \$7.5 million, or \$0.59 per diluted share, in the second quarter of fiscal 2017. Included in GAAP net income and diluted EPS for the second quarter of 2018 is a provisional \$6.5 million income tax expense, or \$0.51 per diluted share, for the one-time transition tax associated with the Tax Cuts and Jobs Act of 2017 that was recently signed into law. Also included in GAAP net income and diluted EPS for the second quarter of fiscal 2017 were one-time net charges of \$2.2 million, or \$0.11 per diluted share, in connection with our Oncura veterinary business.

Non-GAAP net income for the second quarter of fiscal 2018 was \$16.0 million, or \$1.27 per diluted share, compared with \$12.6 million, or \$0.99 per diluted share, in the prior year's second quarter. A reconciliation of GAAP to non-GAAP results is included as an attachment to this press release.

For the first six months of fiscal 2018, revenue totaled \$236.0 million, down 7% from the same period in the prior fiscal

Analogic Corporation

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www.analogic.com

year. Fiscal year-to-date GAAP net income was \$12.2 million, or \$0.97 per diluted share, compared with net income of \$10.0 million, or \$0.79 per diluted share, from the same period in 2017. Included in GAAP net income and diluted EPS for the first six months of 2018 is a provisional \$6.5 million income tax expense, or \$0.51 per diluted share, for the one-time transition tax associated with the Tax Cuts and Jobs Act of 2017 that was recently signed into law. Included in year-to-date fiscal 2017 GAAP net income and diluted EPS were one-time net charges of \$2.3 million, or \$0.12 per diluted share, in connection with our Oncura veterinary business.

Year-to-date non-GAAP net income was \$25.3 million, or \$2.01 per diluted share, compared with \$18.0 million, or \$1.41 per diluted share, in the same period last year. A reconciliation of GAAP to non-GAAP results is included as an attachment to this press release.

Fred Parks, president and CEO, commented, “We continue to pursue our previously announced strategic sale process. In view of the status of that process, we are not commenting on our fiscal year guidance or other forward-looking performance measures.”

Segment Revenues for the Second Quarter of Fiscal 2018

Medical Imaging segment revenue was \$63.4 million for the second quarter of fiscal 2018, down 12% from revenue of \$72.4 million in the same period of fiscal 2017, primarily due to lower sales in CT associated with previously reported customer sourcing decisions combined with lower sales in MR offset by favorability in Motion Controls.

Ultrasound segment revenue was \$43.5 million for the second quarter of fiscal 2018, up 8% from revenue of \$40.3 million in the same period of fiscal 2017, due to the strong sales growth in North America and Europe. Revenue was partially offset by the comparative lower revenue from discontinued Oncura veterinary system sales.

Security and Detection segment revenue was \$22.3 million for the second quarter of fiscal 2018, up 18% from revenue of \$18.8 million in the same period of fiscal 2017 mainly driven by strong demand for international high-speed threat detection systems and increased revenue in Rapid DNA.

Quarterly Cash Dividend

On March 1, 2018, Analogic’s Board of Directors declared a \$0.10 cash dividend for each common share for its second fiscal quarter ended January 31, 2018. The cash dividend will be payable on March 26, 2018, to shareholders of record on March 15, 2018.

Use of Non-GAAP Financial Measures

We supplement our GAAP financial reporting with certain non-GAAP financial measures, including non-GAAP operating income, non-GAAP operating margin, non-GAAP other income and expense, non-GAAP net income, non-GAAP effective tax rate and non-GAAP diluted earnings per share. These measures are not presented in accordance with, nor are they a substitute for, U.S. generally accepted accounting principles, or GAAP. In addition, these measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. The non-GAAP financial measures should not be considered in isolation from measures of financial performance prepared in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. We have included at the end of this document a reconciliation of each historical non-GAAP

financial measure used in this document to the most directly comparable GAAP financial measure.

We utilize a number of different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of our business, in making operating decisions, in forecasting and planning for future periods, and in determining payments under our compensation programs. We also believe that non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results and in comparing financial results across accounting periods and to those of other companies.

Forward-Looking Statements

Any statements about future expectations, plans, and prospects for the Company, including statements containing the words “believes,” “anticipates,” “plans,” “expects,” and similar expressions, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including risks relating to product development and commercialization, limited demand for the Company’s products, limited number of customers, risks associated with competition, uncertainties associated with regulatory agency approvals, competitive pricing pressures, downturns in the economy, the risk of potential intellectual property litigation, acquisition related risks, and other factors discussed in our most recent quarterly and annual reports filed with the Securities and Exchange Commission. In addition, the forward-looking statements included in this presentation represent the Company’s views as of the date of this document. While the Company anticipates that subsequent events and developments will cause the Company’s views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Company’s views as of any later date.

Conference Call Details

Analogic will conduct an investor conference call on Monday, March 5, 2018 at 5:00 p.m. (ET) to discuss the second quarter results. To participate in the conference call, dial 1-866-823-6992, or 1-334-323-7225 for international callers, approximately ten minutes before the conference is scheduled to begin. Inform the operator that you wish to join the Analogic conference, passcode 42748. You will then be asked for your name, organization, and telephone number, and be connected to the conference. The earnings release and, just prior to the call, presentation materials related to the quarterly financial information will be posted on the Company’s website at <http://investor.analogic.com>.

The call will also be available via webcast in listen-only mode. To listen to the webcast, visit investor.analogic.com approximately five to ten minutes before the conference is scheduled to begin. A telephone digital replay will be available approximately two hours after the call is completed through midnight April 5, 2018. To access the digital replay, dial 1-877-919-4059 or 1-334-323-0140 for international callers. The passcode is 84106845.

A replay of the conference call webcast will be archived on the Company’s website at www.analogic.com approximately three hours after the call is completed and will be available through midnight April 5, 2018. For more information on the conference call, visit www.analogic.com, call 978-326-4058, or email investorrelations@analogic.com.

About Analogic – Celebrating 50 Years of Imaging Innovation

Analogic (Nasdaq:ALOG) provides leading-edge healthcare and security technology solutions to advance the practice of medicine and save lives. We are recognized around the world for advanced imaging and real-time guidance technologies used for disease diagnosis and treatment as well as for automated threat detection. Our market-leading ultrasound systems, led by our flagship BK Ultrasound brand, used in procedure-driven markets such as urology, surgery, and point-of-care, are sold to clinical practitioners around the world. Our advanced imaging technologies are also used in computed tomography (CT), magnetic resonance imaging (MRI), and digital mammography systems, as well as automated threat detection systems for aviation security. Analogic is headquartered just north of Boston, Massachusetts. For more information, visit www.analogic.com.

Analogic and the globe logo are registered trademarks of Analogic Corporation.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
Net revenue:				
Product	126,691	\$ 130,330	\$ 232,444	\$ 250,582
Engineering	2,481	1,204	3,604	2,077
Total net revenue	<u>129,172</u>	<u>131,534</u>	<u>236,048</u>	<u>252,659</u>
Cost of sales:				
Product	70,356	72,721	128,329	141,482
Engineering	1,952	1,123	3,088	1,846
Total cost of sales	<u>72,308</u>	<u>73,844</u>	<u>131,417</u>	<u>143,328</u>
Gross profit	<u>56,864</u>	<u>57,690</u>	<u>104,631</u>	<u>109,331</u>
Operating expenses:				
Research and product development	15,631	16,213	30,642	32,063
Selling and marketing	13,195	17,358	25,601	35,538
General and administrative	12,098	3,979	24,039	17,600
Restructuring	197	267	731	299
Asset impairment charges	—	10,423	—	10,423
Total operating expenses	<u>41,121</u>	<u>48,240</u>	<u>81,013</u>	<u>95,923</u>
Income from operations	15,743	9,450	23,618	13,408
Total other income (expense), net	939	28	1,175	(414)
Income before income taxes	16,682	9,478	24,793	12,994
Provision for income taxes	10,133	1,968	12,586	2,948
Net income	<u>\$ 6,549</u>	<u>\$ 7,510</u>	<u>\$ 12,207</u>	<u>\$ 10,046</u>
Net income per share				
Basic	\$ 0.52	\$ 0.60	\$ 0.98	\$ 0.81
Diluted	\$ 0.52	\$ 0.59	\$ 0.97	\$ 0.79
Dividends declared and paid per share	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20
Weighted-average shares outstanding:				
Basic	12,490	12,466	12,482	12,442
Diluted	12,601	12,680	12,606	12,712

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands)

	<u>January 31, 2018</u>	<u>July 31, 2017</u>
Assets:		
Cash and cash equivalents	\$ 101,863	\$ 129,298
Short-term marketable securities	\$ 63,772	18,797
Accounts receivable, net	84,555	77,587
Inventory	127,395	130,575
Other current assets	13,508	14,448
Total current assets	<u>391,093</u>	<u>370,705</u>
Long-term marketable securities	\$ 36,625	26,171
Property, plant, and equipment, net	100,399	102,676
Intangible assets and goodwill, net	25,631	28,269
Other non-current assets	8,364	10,262
Total Assets	<u>\$ 562,112</u>	<u>\$ 538,083</u>
Liabilities and Stockholders' Equity:		
Accounts payable	\$ 28,431	\$ 27,179
Accrued liabilities	29,708	31,619
Other current liabilities	8,957	8,312
Total current liabilities	<u>67,096</u>	<u>67,110</u>
Long-term liabilities	17,675	10,479
Stockholders' equity	477,341	460,494
Total Liabilities and Stockholders' Equity	<u>\$ 562,112</u>	<u>\$ 538,083</u>

NON-GAAP STATEMENTS OF OPERATIONS RECONCILIATION

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	January 31, 2018	January 31, 2017	January 31, 2018	January 31, 2017
GAAP Income From Operations	\$ 15,743	\$ 9,450	\$ 23,618	\$ 13,408
Share-based compensation expense (Note 1)	1,898	2,597	3,881	4,160
Acquisition-related revenues and expenses (Note 2)	1,461	(6,065)	2,923	(3,853)
Non-routine other legal costs (Note 3)	77	12	654	15
Restructuring (Note 4)	197	267	731	299
Asset impairment charges (Note 5)	—	10,423	—	10,423
Non-GAAP Income From Operations	<u>\$ 19,376</u>	<u>\$ 16,684</u>	<u>\$ 31,807</u>	<u>\$ 24,452</u>
Percentage of Total Net Revenue	15.0%	12.7%	13.5%	9.7%
GAAP Tax Provision (Note 6)	\$ 10,133	\$ 1,968	\$ 12,586	\$ 2,948
GAAP Tax Rate	60.7%	20.8%	50.8%	22.7%
Non-GAAP Tax Provision (Note 6)	4,355	4,123	\$ 7,704	\$ 6,074
Non-GAAP Tax Rate	21.4%	24.7%	23.4%	25.3%
GAAP Net Income	\$ 6,549	\$ 7,510	\$ 12,207	\$ 10,046
Share-based compensation expense (Note 1)	1,493	1,791	3,377	2,857
Acquisition-related revenues and expenses (Note 2)	1,264	(3,500)	2,378	(1,748)
Non-routine other legal costs (Note 3)	101	8	466	10
Restructuring (Note 4)	159	169	517	189
Asset impairment charges (Note 5)	(15)	—	13	—
Valuation Allowance Tax Effect (Note 6)	(72)	—	(161)	—
Transition Tax Impact (Note 6)	6,482	6,610	6,482	6,610
Non-GAAP Net Income	<u>\$ 15,961</u>	<u>\$ 12,588</u>	<u>\$ 25,279</u>	<u>\$ 17,964</u>
Percentage of Total Net Revenue	12.4%	9.6%	10.7%	7.1%
GAAP Diluted EPS	\$ 0.52	\$ 0.59	\$ 0.97	\$ 0.79
Effect of non-GAAP adjustments	\$ 0.75	\$ 0.40	1.04	0.62
Non-GAAP Diluted EPS	<u>\$ 1.27</u>	<u>\$ 0.99</u>	<u>\$ 2.01</u>	<u>\$ 1.41</u>

Note 1: Exclusion of variable share-based compensation expense allows consistency of operating results between periods and other companies.

Note 2: During fiscal years 2017 and 2018, we incurred acquisition costs related to the Ultrasonix Medical Corporation, PocketSonics, Inc., and Oncura Partners Diagnostics, LLC acquisitions, which we closed on March 2, 2013, September 20, 2013, and January 8, 2016, respectively. Costs included the amortization of intangibles of \$1.5 million and \$2.9 million for the three and six months ended January 31, 2018, respectively.

Note 3: During the three and six months ended January 31, 2018, we incurred \$77 thousand and \$654 thousand, respectively, of pre-tax strategic alternative related costs. Additionally, during the three and six months ended January 31, 2018, we incurred \$0 of pre-tax inquiry-related costs, associated with the BK matter, as initially disclosed in our annual report on Form 10-K for the fiscal year ended July 31, 2011. This matter relates to transactions we identified involving our Danish subsidiary, BK Medical, and certain of its foreign distributors, regarding compliance with the law.

Note 4: During the three and six months ended January 31, 2018, we incurred pre-tax charges of \$197 thousand and \$731 thousand, respectively, primarily due to facility exit costs associated with exiting the Vancouver facility.

Note 5: As a result of continuing losses in the Oncura business and the related business outlook, the Company evaluated the net realizability of all of the related assets at December 31, 2016. As a result, the company recorded a pre-tax asset impairment charge of \$10.4 million, primarily associated with the write-down of the Oncura goodwill to its estimated fair values.

Note 6: The quarter to date Q2 FY 2018 non-GAAP tax rate differs from the GAAP tax rate primarily due to the transition tax impact from the 2017 Tax Reform Bill, acquisition related adjustments and stock compensation expenses. The quarter to date Q2 FY 2018 non-GAAP tax rates differ from the GAAP tax rates primarily due to the transition tax impact from the 2017 Tax Reform Bill, acquisition related amortization expenses and stock compensation expenses.