

IRIDEX CORP  
Form 10-Q  
August 04, 2011  
Table of Contents

## 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 July 2, 2011

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: 0-27598

## IRIDEX CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: IRIDEX CORP - Form 10-Q

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>77-0210467</b> (I.R.S. Employer Identification Number)
<b>1212 Terra Bella Avenue</b>  <b>Mountain View, California</b> (Address of principal executive offices)	<b>94043-1824</b> (Zip Code)
<b>Registrant's telephone number, including area code: (650) 940-4700</b>	

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of common stock, \$.01 par value, issued and outstanding as of July 22, 2011 was 8,987,686.

**Table of Contents**

**TABLE OF CONTENTS**

<b>Items</b>	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>Item 1. Condensed Consolidated Financial Statements (unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Operations</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	20
<u>Item 4. Controls and Procedures</u>	21
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	21
<u>Item 1A. Risk Factors</u>	21
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	32
<u>Item 3. Defaults Upon Senior Securities</u>	32
<u>Item 4. Removed and Reserved</u>	32
<u>Item 5. Other Information</u>	32
<u>Item 6. Exhibits</u>	33
<u>Signature</u>	34
<u>Exhibit Index</u>	35

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (unaudited)  
IRIDEX Corporation****Condensed Consolidated Balance Sheets****(Unaudited, in thousands except for share data)**

	July 2, 2011	January 1, 2011 (1)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,875	\$ 9,014
Accounts receivable, net of allowance for doubtful accounts of \$341 in 2011 and \$369 in 2010	7,468	7,526
Inventories, net	10,169	9,212
Prepaid expenses and other current assets	642	620
<b>Total current assets</b>	<b>27,154</b>	<b>26,372</b>
Property and equipment, net	299	360
Other intangible assets, net	1,701	1,797
Goodwill	473	473
Other long term assets	249	218
<b>Total assets</b>	<b>\$ 29,876</b>	<b>\$ 29,220</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,099	\$ 1,981
Accrued compensation	1,506	2,304
Accrued expenses	1,508	1,822
Accrued warranty	806	956
Deferred revenue	2,175	2,134
<b>Total current liabilities</b>	<b>8,094</b>	<b>9,197</b>
Long Term Liabilities:		
Other long-term liabilities	610	596
<b>Total liabilities</b>	<b>8,704</b>	<b>9,793</b>
Stockholders equity:		
Convertible preferred stock, \$.01 par value:		
Authorized: 2,000,000 shares;		
Issued and outstanding: 500,000 shares in 2011 and 2010	5	5
Common stock		
Authorized: 30,000,000 shares;		
Issued and outstanding: 8,970,560 shares in 2011 and 8,986,418 shares in 2010	92	89
Additional paid-in capital	41,699	41,168
Accumulated other comprehensive loss	(68)	(205)
Treasury stock, at cost	(831)	(430)

Edgar Filing: IRIDEX CORP - Form 10-Q

Accumulated deficit	(19,725)	(21,200)
Total stockholders' equity	21,172	19,427
Total liabilities and stockholders' equity	\$ 29,876	\$ 29,220

- (1) Derived from the consolidated audited financial statements included in our annual report filed on Form 10-K with the SEC for the year ended January 1, 2011.

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

**Table of Contents****IRIDEX Corporation****Condensed Consolidated Statements of Operations****(Unaudited, in thousands except per share data)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 2, 2011</b>	<b>July 3, 2010</b>	<b>July 2, 2011</b>	<b>July 3, 2010</b>
<b>Revenues:</b>				
Product revenues	\$ 8,884	\$ 7,805	\$ 17,955	\$ 16,353
Service revenues	1,914	2,085	4,055	4,295
<b>Total revenues</b>	<b>10,798</b>	<b>9,890</b>	<b>22,010</b>	<b>20,648</b>
Cost of revenues	5,921	5,354	11,895	10,887
<b>Gross profit</b>	<b>4,877</b>	<b>4,536</b>	<b>10,115</b>	<b>9,761</b>
<b>Operating expenses:</b>				
Research and development	910	966	1,874	1,993
Sales and marketing	2,379	2,327	4,836	4,665
General and administrative	1,153	1,108	2,358	2,365
<b>Total operating expenses</b>	<b>4,442</b>	<b>4,401</b>	<b>9,068</b>	<b>9,023</b>
Income from operations	435	135	1,047	738
Legal settlement	800	800	800	800
Interest and other income (expense), net	(153)	(50)	(101)	(112)
<b>Income before income taxes</b>	<b>1,082</b>	<b>885</b>	<b>1,746</b>	<b>1,426</b>
Provision for income taxes	173	71	271	127
<b>Net income</b>	<b>\$ 909</b>	<b>\$ 814</b>	<b>\$ 1,475</b>	<b>\$ 1,299</b>
Net income per share - basic	\$ 0.10	\$ 0.09	\$ 0.16	\$ 0.15
Net income per share - diluted	\$ 0.09	\$ 0.08	\$ 0.14	\$ 0.13
Shares used in computing net income per share - basic	8,961	8,965	8,962	8,907
Shares used in computing net income per share - diluted	10,231	10,197	10,223	10,094

**Condensed Consolidated Statements of Comprehensive Income****(Unaudited, in thousands)**

	<b>Three Months Ended</b>	<b>Six Months Ended</b>
--	---------------------------	-------------------------

Edgar Filing: IRIDEX CORP - Form 10-Q

	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net income	\$ 909	\$ 814	\$ 1,475	\$ 1,299
Foreign currency translation adjustments	(10)	11	(33)	7
Recognition of accumulated foreign currency translation loss	170	0	170	0
Comprehensive income	\$ 1,069	\$ 825	\$ 1,612	\$ 1,306

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

**Table of Contents****IRIDEX Corporation****Condensed Consolidated Statements of Cash Flows****(Unaudited, in thousands)**

	<b>Six Months Ended</b>	
	<b>July 2, 2011</b>	<b>July 3, 2010</b>
<b>Operating activities:</b>		
Net income	\$ 1,475	\$ 1,299
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	203	276
Loss on liquidation of foreign subsidiary	170	0
Stock compensation recognized	251	269
Provision for doubtful accounts	(12)	0
Provision for inventory reserves	60	150
Changes in operating assets and liabilities:		
Accounts receivable	70	866
Inventories	(1,017)	(630)
Prepaid expenses and other current assets	(22)	(82)
Other long term assets	(31)	73
Accounts payable	118	141
Accrued compensation	(798)	(360)
Accrued expenses and deferred rent	(300)	(474)