

CYANOTECH CORP
Form 10-Q
November 09, 2012
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarterly Period Ended September 30, 2012

Or

o 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 0-14602

CYANOTECH CORPORATION

(Exact name of registrant as specified in its charter)

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NEVADA
(State or other jurisdiction
of incorporation or organization)

91-1206026
(IRS Employer
Identification Number)

73-4460 Queen Kaahumanu Hwy. #102, Kailua-Kona, HI 96740

(Address of principal executive offices)

(808) 326-1353

(Registrant's telephone number)

Not Applicable

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

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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. (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

Number of common shares outstanding as of November 6, 2012:

Title of Class	Shares Outstanding
Common stock - \$0.02 par value	5,463,488

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CYANOTECH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except par value and number of shares)

(Unaudited)

	September 30, 2012	March 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,603	\$ 5,061
Accounts receivable, net of allowance for doubtful accounts of \$6 at September 30, 2012 and \$16 at March 31, 2012	3,818	2,373
Inventories, net	3,357	3,548
Deferred tax assets	137	137
Prepaid expenses and other current assets	268	300
Total current assets	11,183	11,419
Equipment and leasehold improvements, net	6,704	5,834
Restricted cash	2,250	
Deferred tax assets	1,307	1,307
Other assets	759	478
Total assets	\$ 22,203	\$ 19,038
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 60	\$ 234
Customer deposits	43	49
Accounts payable	2,176	1,726
Accrued expenses	971	1,352
Total current liabilities	3,250	3,361
Long-term debt, excluding current maturities	2,310	400
Deferred rent	15	12
Total liabilities	5,575	3,773
Commitments and contingencies		
Stockholders' equity:		
Common stock of \$0.02 par value, shares authorized 7,500,000; 5,463,488 shares issued and outstanding at September 30, 2012 and 5,440,968 shares at March 31, 2012	109	109
Additional paid-in capital	28,718	28,324

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Accumulated deficit	(12,199)	(13,168)
Total stockholders' equity	16,628	15,265
Total liabilities and stockholders' equity	\$ 22,203	\$ 19,038

See accompanying Notes to Condensed Consolidated Financial Statements.

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CYANOTECH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2012	2011	2012	2011
NET SALES	\$ 6,936	\$ 5,989	\$ 13,442	\$ 11,939
COST OF SALES	4,124	3,199	8,056	7,045
Gross profit	2,812	2,790	5,386	4,894
OPERATING EXPENSES:				
General and administrative	1,285	1,117	2,433	2,065
Sales and marketing	880	609	1,718	1,176
Research and development	80	89	131	160
Loss on disposal of equipment and leasehold improvements	13	62	35	64
Total operating expenses	2,258	1,877	4,317	3,465
Income from operations	554	913	1,069	1,429
OTHER EXPENSE:				
Loss on extinguishment of debt	(51)		(51)	
Interest expense, net	(17)	(10)	(29)	(24)
Total other expense, net	(68)	(10)	(80)	(24)
Income before provision for income taxes	486	903	989	1,405
PROVISION FOR INCOME TAXES	(10)	(28)	(20)	(44)
NET INCOME	\$ 476	\$ 875	\$ 969	\$ 1,361
NET INCOME PER SHARE:				
Basic	\$ 0.09	\$ 0.16	\$ 0.18	\$ 0.25
Diluted	\$ 0.08	\$ 0.16	\$ 0.17	\$ 0.25
SHARES USED IN CALCULATION OF NET INCOME PER SHARE:				
Basic	5,450	5,398	5,445	5,397
Diluted	5,635	5,473	5,758	5,471

See accompanying Notes to Condensed Consolidated Financial Statements.

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CYANOTECH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Six Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 969	\$ 1,361
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on extinguishment of debt	51	
Loss on disposal of equipment and leasehold improvements	35	64
Depreciation and amortization	399	337
Amortization of debt issue costs and other assets	74	21
Share based compensation expense	372	200
Reduction of allowance for doubtful accounts	(10)	
Net (increase) decrease in assets:		
Accounts receivable	(1,435)	117
Inventories	191	439
Prepaid expenses and other assets	(64)	(100)
Net increase (decrease) in liabilities:		
Customer deposits	(6)	(38)
Accounts payable	450	182
Accrued expenses	(381)	196
Deferred rent	3	
Net cash provided by operating activities	648	2,779
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash from issuance of long term debt	(2,250)	
Investment in equipment and leasehold improvements	(1,304)	(716)
Net cash used in investing activities	(3,554)	(716)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt, net of costs	2,281	65
Principal payments on long-term debt	(596)	(105)
Payments for debt issuance costs	(259)	
Proceeds from stock options exercised	22	6
Net cash provided by (used in) financing activities	1,448	(34)
Net (decrease) increase in cash and cash equivalents	(1,458)	2,029
Cash and cash equivalents at beginning of period	5,061	2,062
Cash and cash equivalents at end of period	\$ 3,603	\$ 4,091
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 84	\$ 21

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Income taxes	\$	44	\$	18
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See accompanying Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2012

(Unaudited)

1. BASIS OF PRESENTATION