EZ EM INC
Form 10-Q
January 16, 2001

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 the quarterly period ended December 2, 2000

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 1-11479

E-Z-EM, Inc.
(Exact name of registrant as specified in its charter)

Delaware	11-1999504
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
717 Main Street, Westbury, New York	11590
(Address of principal executive offices)	(Zip Code)

(516) 333-8230
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 [X] No [ ]

As of January 10, 2001, there were 4,012,969 shares of the issuer's Class A Common Stock outstanding and 5,872,198 shares of the issuer's Class B Common

Stock outstanding.

E-Z-EM, Inc. and Subsidiaries

INDEX

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	December 2, 2000 (unaudited)	June 3, 2000 (audited)

CURRENT ASSETS		
Cash and cash equivalents	$ 4,241	$ 5,583
Debt and equity securities	13,677	8,051
Accounts receivable, principally trade, net	20,402	22,256
Inventories	25,525	26,856
Other current assets	4,608	4,530
	-------	-------
Total current assets	68,453	67,276
PROPERTY, PLANT AND EQUIPMENT - AT COST, less accumulated depreciation and amortization	19,800	21,721
COST IN EXCESS OF FAIR VALUE OF NET ASSETS ACQUIRED, less accumulated amortization	381	407
INTANGIBLE ASSETS, less accumulated amortization	1,389	2,151
DEBT AND EQUITY SECURITIES	1,123	4,067
OTHER ASSETS	5,393	3,463
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	$96,539	$99,085
	=======	=======

The accompanying notes are an integral part of these statements.

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	Decembe 200 ----- (unaudi
CURRENT LIABILITIES	
Notes payable	$ 1,
Current maturities of long-term debt	
Accounts payable	4,
Accrued liabilities	7,
Accrued income taxes	

Total current liabilities	13,
LONG-TERM DEBT, less current maturities	
OTHER NONCURRENT LIABILITIES	2,

Total liabilities	16,
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Preferred stock, par value $.10 per share - authorized, 1,000,000 shares; issued, none	
Common stock	
Class A (voting), par value $.10 per share - authorized, 6,000,000 shares; issued and outstanding 4,013,147 shares at December 2, 2000 and 4,015,111 shares at June 3, 2000 (excluding 40,109 and 38,145 shares held in treasury at December 2, 2000 and June 3, 2000, respectively)	
Class B (non-voting), par value $.10 per share - authorized, 10,000,000 shares; issued and outstanding 5,866,724 shares at December 2, 2000 and 5,909,277 shares at June 3, 2000 (excluding 365,126 and 313,748 shares held in treasury at December 2, 2000 and June 3, 2000, respectively)	
Additional paid-in capital	20,
Retained earnings	62,
Accumulated other comprehensive income (loss)	(3,
Total stockholders' equity	80,
	$ 96,

The accompanying notes are an integral part of these statements.

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)
(in thousands, except per share data)

	Thirteen weeks ended		Twen
	December 2, 2000	November 27, 1999	December 2000
Net sales	$ 26,261	$ 27,973	$ 53,56
Cost of goods sold	14,219	14,739	29,42
Gross profit	12,042	13,234	24,14
Operating expenses			

Selling and administrative	9,471	9,332	18,80
Loss on sale of subsidiary and related assets			87
Research and development	1,389	1,171	2,66
Total operating expenses	10,860	10,503	22,33
Operating profit	1,182	2,731	1,81
Other income (expense)			
Interest income	230	146	45
Interest expense	(67)	(58)	(13
Other, net	7	(19)	2
Earnings before income taxes	1,352	2,800	2,15
Income tax provision (benefit)	491	983	(54
NET EARNINGS	$ 861	$ 1,817	$ 2,70
Earnings per common share			
Basic	$ .09	$ .18	$ .2
Diluted	$ .08	$ .18	$ .2
Weighted average common shares			
Basic	9,878	10,074	9,89
Diluted	10,192	10,217	10,21

The accompanying notes are an integral part of these statements.

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Twenty-six weeks ended December 2, 2000
(unaudited)
(in thousands, except share data)

	Class A common stock	Class B common stock	Additional paid-in	Retai

	Shares	Amount	Shares	Amount	capital	earni
Balance at June 3, 2000	4,015,111	$ 401	5,909,277	$ 591	$ 20,521	$59,
Exercise of stock options			2,825		14	
Income tax benefits on stock options exercised					1	
Compensation related to stock option plans					3	
Issuance of stock			6,000	1	40	
Purchase of treasury stock	(1,964)		(51,378)	(5)	(372)	
Net earnings						2,
Unrealized holding loss on debt and equity securities						
Foreign currency translation adjustments						
Comprehensive income						
Balance at December 2, 2000	4,013,147	$ 401	5,866,724	$ 587	$ 20,207	$62,

The accompanying notes are an integral part of this statement.

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Twenty-six weeks ended	
	December 2, 2000	November 27, 1999
Cash flows from operating activities:		
Net earnings	$ 2,703	$ 3,615
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	1,388	1,431
Impairment of long-lived assets	450	
Provision for doubtful accounts	43	76
Loss on sale of subsidiary and related assets	872	
Deferred income tax (benefit) provision	(1,723)	31
Other non-cash items	44	73
Changes in operating assets and liabilities, net of sale		
Accounts receivable	1,586	(1,999)
Inventories	51	(1,197)
Other current assets	190	594
Other assets	(188)	(165)

Accounts payable	(1,114)	1,258
Accrued liabilities	(740)	298
Accrued income taxes	(291)	(164)
Other noncurrent liabilities	95	74
Net cash provided by operating activities	3,366	3,925
Cash flows from investing activities:		
Additions to property, plant and equipment, net	(1,451)	(985)
Proceeds from sale of subsidiary and related assets	3,250	
Available-for-sale securities		
Purchases	(40,151)	(20,278)
Proceeds from sale	34,525	16,620
Net cash used in investing activities	(3,827)	(4,643)
Cash flows from financing activities:		
Repayments of debt	(121)	(904)
Proceeds from issuance of debt	19	26
Proceeds from exercise of stock options, including related income tax benefits	15	87
Purchase of treasury stock	(377)	(291)
Proceeds from issuance of stock in connection with the stock purchase plan		6
Net cash used in financing activities	(464)	(1,076)

E-Z-EM, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited)
(in thousands)

	Twenty-six weeks ended	
	December 2, 2000	November 27, 1999
Effect of exchange rate changes on cash and cash equivalents	$ (417)	$ 133
DECREASE IN CASH AND CASH EQUIVALENTS	(1,342)	(1,661)
Cash and cash equivalents		
Beginning of period	5,583	8,073

End of period	$ 4,241	$ 6,412
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 38	$ 42
Income taxes	$ 1,830	$ 1,983

The accompanying notes are an integral part of these statements.

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 2, 2000 and November 27, 1999
(unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of December 2, 2000, the consolidated statement of stockholders' equity and comprehensive income for the period ended December 2, 2000, and the consolidated statements of earnings and cash flows for the periods ended December 2, 2000 and November 27, 1999, have been prepared by the Company without audit. The consolidated balance sheet as of June 3, 2000 was derived from audited consolidated financial statements. In the opinion of management, all adjustments (which include only normally recurring adjustments) necessary to present fairly the financial position, changes in stockholders' equity and comprehensive income, results of operations and cash flows at December 2, 2000 (and for all periods presented) have been made.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the fiscal 2000 Annual Report on Form 10-K filed by the Company on September 1, 2000. The results of operations for the periods ended December 2, 2000 and November 27, 1999 are not necessarily indicative of the operating results for the respective full years.

The consolidated financial statements include the accounts of E-Z-EM, Inc. and all 100%-owned subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated.

NOTE B - EARNINGS PER COMMON SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share are based on the weighted average number of common and potential common shares outstanding. The calculation takes into account the shares that may be issued upon exercise of stock options, reduced by the shares that may be repurchased with the funds received from the exercise, based on the average price during the period.

The following table sets forth the reconciliation of the weighted average number of common shares:

	Thirteen weeks ended		Twenty-six weeks end	
	December 2, 2000	November 27, 1999	December 2, 2000	November 1999
	(in thousands)			
Basic	9,878	10,074	9,897	10,07
Effect of dilutive securities (stock options)	314	143	321	14
Diluted	10,192	10,217	10,218	10,22

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2000 and November 27, 1999
(unaudited)

NOTE B - EARNINGS PER COMMON SHARE (continued)

Excluded from the calculation of earnings per common share, are options to purchase 462,915 and 791,509 shares of common stock at December 2, 2000 and November 27, 1999, respectively, as their inclusion would be anti-dilutive.

NOTE C - EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. SFAS No. 133 also specifies new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after September 15, 2000. The Company currently does not use derivative instruments as defined by SFAS No. 133. If the Company continues not to use these derivative instruments by the effective date of SFAS No. 133, the adoption of this pronouncement will have no effect on the Company's results of operations or financial position.

NOTE D - COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, are as follows:

	Twenty-six weeks ended December 2, 2000	Twenty-six weeks ended November 27, 1999
	(in thousands)	
Net earnings	$ 2,703	$ 3,615
Unrealized holding gain (loss) on debt and equity securities	(2,399)	1,252
Foreign currency translation adjustments	272	(203)
Comprehensive income	$ 576	$ 4,664

The components of accumulated other comprehensive income (loss), net of related tax, are as follows:

	December 2, 2000	June 3, 2000
	(in thousands)	
Unrealized holding gain (loss) on debt and equity securities	$ (335)	$ 2,064
Cumulative translation adjustments	(3,123)	(3,395)
Accumulated other comprehensive income (loss)	$(3,458)	$(1,331)

NOTE E - SALE OF SUBSIDIARY AND RELATED ASSETS

On July 27, 2000, AngioDynamics, Inc. entered into two agreements to sell all the capital stock of AngioDynamics Ltd., a wholly-owned subsidiary, and certain other assets to AngioDynamics Ltd.'s management. AngioDynamics Ltd., located in Ireland, manufactured cardiovascular and interventional radiology products. The aggregate consideration paid was $3,250,000 in cash. The sale was the culmination of AngioDynamics' strategic decision to exit the cardiovascular market and to focus entirely on the interventional radiology marketplace. As a result of this sale, the Company recognized a pre-tax loss of approximately $872,000 during the quarter ended September 2, 2000. The aforementioned pre-tax loss includes the effect of previously unrealized losses on foreign currency translation of approximately $994,000 and the write-off of approximately $673,000 in inventory and intangibles related to the cardiovascular product line, both of which were non-cash charges. Further, AngioDynamics entered into a manufacturing agreement, a distribution agreement and a royalty agreement with the buyer. Under the two-year manufacturing agreement, the buyer will be manufacturing certain interventional radiology products sold by AngioDynamics.

NOTE F - ASSET IMPAIRMENT CHARGE

In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company's Diagnostic operating segment recorded an impairment charge during the quarter ended September 2, 2000 of $450,000 relating to certain acquired patent rights to an oral magnetic resonance imaging contrast agent. The Company determined that the revenue potential of this technology was impaired, since it now believes that the market for this technology is significantly less than previously projected. The impairment charge represents the difference between the carrying value of the intangible asset and the fair market value of this asset based on estimated future discounted cash flows. The charge had no impact on the Company's cash flow or its ability to generate cash flow in the future. The impairment charge is included in the consolidated statement of earnings under the caption "Selling and administrative".

NOTE G - INVENTORIES

Inventories consist of the following:

	December 2, 2000	June 3, 2000
	(in thousands)	
Finished goods	$13,496	$13,246
Work in process	1,797	2,813
Raw materials	10,232	10,797
	$25,525	$26,856

E-Z-EM, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 2, 2000 and November 27, 1999
(unaudited)

NOTE H - INCOME TAXES

During the thirteen weeks ended September 2, 2000, the Company reduced its valuation allowance primarily to recognize deferred tax assets of approximately $1,344,000. Continued and projected future profitability of the Company's U.S. operations, including those of AngioDynamics, made it more likely than not that certain deferred tax assets would be realized through future taxable earnings.

NOTE I - COMMON STOCK

Under the 1983 and 1984 Stock Option Plans, options for 2,825 shares were exercised at prices ranging from $4.31 to $5.63 per share, options for 8,449 shares were forfeited at prices ranging from $5.39 to $5.63 per share, and no options were granted or expired during the twenty-six weeks ended December 2, 2000. Under the 1997 AngioDynamics Stock Option Plan, options for .06 shares were granted at $40,000 per share, options for 3.81 shares were forfeited at $40,000 per share, and no options were exercised or expired during the twenty- six weeks ended December 2, 2000.

In January 1999, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's Class B Common Stock at an aggregate purchase price of up to $2,000,000. In October 1999, the Board modified the program to include the Company's Class A Common Stock. In February 2000, the Board further modified the program to increase the aggregate purchase price of Class A and Class B Common Stock by an additional $2,000,000. As of December 2, 2000, the Company had repurchased 40,109 shares of Class A Common Stock and 365,126 shares of Class B Common Stock for approximately $2,880,000.

NOTE J - OPERATING SEGMENTS

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The statement redefines how operating segments are determined and requires disclosure of certain financial and descriptive information about a company's operating segments.

The Company is engaged in the manufacture and distribution of a wide variety of products which are classified into two operating segments: Diagnostic products and AngioDynamics products. Diagnostic products encompass both contrast systems, consisting of barium sulfate formulations and related medical devices used in X-ray, CT-scanning, ultrasound and MRI imaging examinations, and non-contrast systems, including radiological medical devices, custom contract pharmaceuticals, gastrointestinal cleansing laxatives, X-ray protection equipment, and immunoassay tests. AngioDynamics products include angiographic, thrombolytic, image-guided vascular access, angioplasty, stents, and drainage medical devices used in the interventional radiology marketplace.

(unaudited)

NOTE J - OPERATING SEGMENTS (continued)

The Company's chief operating decision maker utilizes operating segment net earnings (loss) information in assessing performance and making overall operating decisions and resource allocations. Information about the Company's segments is as follows:

	Thirteen weeks ended		Twenty-s
	December 2, 2000	November 27, 1999	December 2, 2000
		(in thousands)	
Net sales to external customers			
Diagnostic products			
Contrast systems	$ 15,297	$ 17,178	$ 30,912
Non-contrast systems	5,930	6,269	12,018
Total Diagnostic products	21,227	23,447	42,930
AngioDynamics products	5,034	4,526	10,635
Total net sales to external customers	$ 26,261	$ 27,973	$ 53,565
Intersegment net sales			
Diagnostic products	$ 1	$ (189)	$ 1
AngioDynamics products	162	167	352
Total intersegment net sales	$ 163	$ (22)	$ 353
Operating profit (loss)			
Diagnostic products	$ 887	$ 3,127	$ 2,114
AngioDynamics products	316	(408)	(234)
Eliminations	(21)	12	(69)
Total operating profit	$ 1,182	$ 2,731	$ 1,811
Net earnings (loss)			
Diagnostic products	$ 842	$ 2,327	$ 2,026
AngioDynamics products	40	(522)	746
Eliminations	(21)	12	(69)
Total net earnings	$ 861	$ 1,817	$ 2,703

December 2,

	2000
	(in th
Assets	
Diagnostic products	$107,847
AngioDynamics products	16,560
Eliminations	(27,868)
Total assets	$ 96,539

E-Z-EM, Inc. and Subsidiaries

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Quarters ended December 2, 2000 and November 27, 1999

The Company's quarters ended December 2, 2000 and November 27, 1999 both represent thirteen weeks.

Results of Operations

Segment Overview

The Company operates in two industry segments: Diagnostic products and AngioDynamics products. The Diagnostic products operating segment includes both contrast systems and non-contrast systems. The AngioDynamics products operating segment includes angiographic products, thrombolytic products, image-guided vascular access products, angioplasty products, stents, and drainage products used in the interventional radiology marketplace.

	Diagnostic	AngioDynamics	Eliminations
		(in thousands)	
Quarter ended December 2, 2000			
Unaffiliated customer sales	$ 21,227	$ 5,034	--
Intersegment sales	1	162	($163)
Gross profit	9,417	2,646	(21)
Operating profit (loss)	887	316	(21)
Quarter ended November 27, 1999			
Unaffiliated customer sales	$ 23,447	$ 4,526	--
Intersegment sales	(189)	167	$ 22

Gross profit	11,123	2,100	11
Operating profit (loss)	3,127	(408)	12

Diagnostic Products

Diagnostic segment operating results for the current quarter declined by $2,240,000 due primarily to decreased sales and gross profit and increased operating expenses. Net sales decreased 9%, or $2,220,000, due to lower demand for sales of both contrast systems and non-contrast systems. The decline in contrast system sales resulted, in part, from the stocking of higher inventory levels by the Company's distributors in the second quarter of the prior year, in anticipation of potential Year 2000 ("Y2K") related supply issues. The decline in sales of non-contrast systems resulted from decreased custom contract sales. Price increases accounted for approximately 3% of net sales for the current quarter. Gross profit expressed as a percentage of net sales declined to 44% for the current quarter from 48% for the comparable period of the prior year due primarily to decreased production throughput and increased provision for inventory reserves of $200,000, partially offset by the effects of sales price increases. Increased operating expenses of $534,000 are the result of the expansion of the domestic sales force, increased distribution costs and increased research and development expenses.

AngioDynamics Products

AngioDynamics segment operating results for the current quarter improved by $724,000 due to increased sales, improved gross profit and decreased operating expenses of $178,000. Net sales increased 11%, or $508,000, due to sales of

several new products, namely Abscession(TM) fluid drainage catheters, VistaFlex(TM) platinum biliary stents, and Workhorse(TM) PTA balloon catheters, introduced in the second quarter of last fiscal year. Gross profit expressed as a percentage of net sales improved to 51% for the current quarter from 45% for the comparable quarter of the prior year due primarily to increased production throughput at the Glens Falls facility and reduced unabsorbed overhead costs resulting from the sale of the Irish facility in the first quarter of the current year.

Consolidated Results of Operations

For the quarter ended December 2, 2000, the Company reported net earnings of $861,000, or $.09 and $.08 per common share on a basic and diluted basis, respectively, compared to net earnings of $1,817,000, or $.18 per common share on both a basic and diluted basis, for the comparable period of last year. Results for the current quarter were adversely affected by decreased sales and gross profit and increased operating expenses in the Diagnostic segment, partially offset by increased sales, improved gross profit and decreased operating expenses in the AngioDynamics segment.

Net sales for the quarter ended December 2, 2000 decreased 6%, or $1,712,000, compared to the quarter ended November 27, 1999. Decreased sales of contrast systems of $1,881,000 and non-contrast systems of $339,000, were partially offset by increased sales of AngioDynamics products of $508,000. Price increases accounted for approximately 2 1/2% of net sales for the current quarter. Net sales in international markets, including direct exports from the

U.S., decreased 20%, or $1,784,000, for the current quarter from the comparable period of last year due, in part, to decreased custom contract sales of $412,000 and the continued weakness of the Euro compared to the U.S. dollar, as the Company's domestic operations bill export sales in U.S. dollars.

Gross profit expressed as a percentage of net sales decreased to 46% for the current quarter from 47% for the comparable quarter of the prior year due to reduced gross profit in the Diagnostic segment, partially offset by improved gross profit in the AngioDynamics segment. The decline in Diagnostic gross profit expressed as a percentage of net sales resulted primarily from decreased production throughput and increased provision for inventory reserves of $200,000, partially offset by the effects of sales price increases. The improved AngioDynamics gross profit expressed as a percentage of net sales is due primarily to increased production throughput at the Glens Falls facility and reduced unabsorbed overhead costs resulting from the sale of the Irish facility in the first quarter of the current year.

Selling and administrative ("S&A") expenses were $9,471,000 for the quarter ended December 2, 2000 compared to $9,332,000 for the quarter ended November 27, 1999. This increase of $139,000, or 1%, for the current quarter was due to increased Diagnostic S&A expenses of $331,000, resulting from the expansion of the domestic sales force and increased distribution costs, partially offset by a decline in AngioDynamics S&A expenses of $192,000.

Research and development ("R&D") expenditures increased 19% for the current quarter to $1,389,000, or 5% of net sales, from $1,171,000, or 4% of net sales, for the comparable quarter of the prior year. This increase was due primarily to a redeployment of staff from other departments within the Company, as well as increased spending relating to contrast systems of $101,000 and immunological projects of $27,000. Of the R&D expenditures for the current quarter, approximately 42% relate to contrast systems, 27% to AngioDynamics projects, 5% to immunological projects, 8% to other projects and 18% to general regulatory costs. R&D expenditures are expected to continue at approximately current levels.

Other income, net of other expenses, totaled $170,000 of income for the current quarter compared to $69,000 of income for the quarter ended November 27,

1999. This improvement was due to increased interest income of $84,000, resulting from the investment of additional funds provided by operations, and a decline in foreign currency exchange losses of 27,000.

For the quarter ended December 2, 2000, the Company's effective tax rate of 36% differed from the Federal statutory tax rate of 34% due primarily to the fact that the Company did not provide for the tax benefit on losses incurred in a foreign jurisdiction, since it is more likely than not that such benefits will not be realized, and non-deductible expenses, mostly offset by earnings of the Company's Puerto Rican subsidiary, which are subject to favorable U.S. tax treatment, and tax-exempt interest. The Company's effective tax rate of 35% for the quarter ended November 27, 1999 differed from the Federal statutory tax rate of 34% due primarily to losses incurred in a foreign jurisdiction subject to lower tax rates and non-deductible expenses, mostly offset by earnings of the Company's Puerto Rican subsidiary, which are subject to favorable U.S. tax treatment.

Twenty-six weeks ended December 2, 2000 and November 27, 1999

Results of Operations

Segment Overview

	Diagnostic	AngioDynamics	Elimination
		(in thousands)	
Twenty-six weeks ended December 2, 2000			
Unaffiliated customer sales	$42,930	$ 10,635	--
Intersegment sales	1	352	($353)
Gross profit	18,766	5,448	(69)
Operating profit (loss)	2,114	(234)	(69)
Twenty-six weeks ended November 27, 1999			
Unaffiliated customer sales	$46,303	$ 8,867	--
Intersegment sales	2	325	($327)
Gross profit	21,168	4,115	34
Operating profit (loss)	6,056	(816)	36

Diagnostic Products

Diagnostic segment operating results for the current period declined by $3,942,000 due primarily to decreased sales and gross profit and increased operating expenses. Net sales decreased 7%, or $3,373,000, due to lower demand for sales of both contrast systems and non-contrast systems. The decline in contrast system sales resulted, in part, from the stocking of higher inventory levels by the Company's distributors in the second quarter of the prior year, in anticipation of potential Year 2000 ("Y2K") related supply issues. The decline in sales of non-contrast systems resulted from decreased custom contract sales. Price increases accounted for approximately 2 1/2% of net sales for the current period. Gross profit expressed as a percentage of net sales declined to 44% for the current period from 46% for the comparable period of the prior year due primarily to decreased production throughput and increased provision for inventory reserves of $270,000, partially offset by the effects of sales price increases. Increased operating expenses of $1,540,000 are attributable, in large part, to: an impairment charge of $450,000 relating to acquired patent rights to an oral magnetic resonance imaging contrast agent; the expansion of the domestic sales force; increased distribution costs; and increased administrative and R&D expenses.

AngioDynamics Products

AngioDynamics segment operating results for the current period, which improved by $582,000, were adversely affected by the sale of AngioDynamics Ltd., a wholly-owned subsidiary, and certain other assets. AngioDynamics Ltd., located in Ireland, manufactured cardiovascular and interventional radiology products.

The sale was the culmination of AngioDynamics' strategic decision to exit the cardiovascular market and to focus entirely on the interventional radiology marketplace. As a result of this sale, the Company recognized a pre-tax loss of approximately $872,000 during the current period. The aforementioned pre-tax loss includes the effect of previously unrealized losses on foreign currency translation of approximately $994,000 and the write-off of approximately $673,000 in inventory and intangibles related to the cardiovascular product line, both of which were non-cash charges.

Excluding the loss on sale, AngioDynamics segment operating results improved by $1,454,000 due to increased sales and improved gross profit. Net sales increased 20%, or $1,768,000, due, in large part, to sales of several new products, namely Abscession(TM) fluid drainage catheters, VistaFlex(TM) platinum biliary stents, and Workhorse(TM) PTA balloon catheters, introduced in the second quarter of last fiscal year. Gross profit expressed as a percentage of net sales improved to 50% for the current period from 45% for the comparable period of the prior year due primarily to increased production throughput at the Glens Falls facility and reduced unabsorbed overhead costs resulting from the sale of the Irish facility.

Consolidated Results of Operations

For the twenty-six weeks ended December 2, 2000, the Company reported net earnings of $2,703,000, or $.27 and $.26 per common share on a basic and diluted basis, respectively, compared to net earnings of $3,615,000, or $.36 and $.35 per common share on a basic and diluted basis, respectively, for the comparable period of last year. Results for the current period were adversely affected by decreased sales and gross profit in the Diagnostic segment and increased operating expenses in both industry segments. The increased operating expenses, totaling $2,293,000, were due, in large part, to the loss on sale of AngioDynamics Ltd. and related assets of $872,000 and the Diagnostic asset impairment charge of $450,000. Results for the current period were favorably affected by the Company's reversal of a portion of its income tax valuation allowance against certain domestic tax benefits totaling $1,344,000, since it is now more likely than not that such benefits will be realized.

Net sales for the twenty-six weeks ended December 2, 2000 decreased 3%, or $1,605,000, compared to the twenty-six weeks ended November 27, 1999. Decreased sales of contrast systems of $2,293,000 and non-contrast systems of $1,080,000, were partially offset by increased sales of AngioDynamics products of $1,768,000. Price increases accounted for approximately 2% of net sales for the current period. Net sales in international markets, including direct exports from the U.S., decreased 17%, or $3,193,000, for the current period from the comparable period of last year due, in part, to decreased custom contract sales of $1,607,000. Continued weakness of the Euro compared to the U.S. dollar also contributed to sluggish international sales, as the Company's domestic operations bill export sales in U.S. dollars.

Gross profit expressed as a percentage of net sales decreased to 45% for the current period from 46% for the comparable period of the prior year due to reduced gross profit in the Diagnostic segment, partially offset by improved gross profit in the AngioDynamics segment. The decline in Diagnostic gross profit expressed as a percentage of net sales resulted primarily from decreased production throughput and increased provision for inventory reserves of $270,000, partially offset by the effects of sales price increases. The improved AngioDynamics gross profit expressed as a percentage of net sales is due primarily to increased production throughput at the Glens Falls facility and reduced unabsorbed overhead costs resulting from the sale of the Irish facility.

S&A expenses were $18,801,000 for the twenty-six weeks ended December 2, 2000 compared to $17,669,000 for the twenty-six weeks ended November 27, 1999. This increase of $1,132,000, or 6%, for the current period was due to increased Diagnostic S&A expenses, resulting, in large part, from the asset impairment charge of $450,000, the expansion of the domestic sales force, increased distribution costs, and increased administrative expenses.

R&D expenditures increased 12% for the current period to $2,661,000, or 5% of net sales, from $2,372,000, or 4% of net sales, for the comparable prior year period. This increase was due primarily to a redeployment of staff from other departments within the Company, as well as increased spending relating to contrast systems of $97,000 and immunological projects of $46,000. Of the R&D expenditures for the current period, approximately 42% relate to contrast systems, 28% to AngioDynamics projects, 5% to immunological projects, 7% to other projects and 18% to general regulatory costs.

Other income, net of other expenses, totaled $343,000 of income for the current period compared to $234,000 of income for the comparable period of last year. This improvement was due to increased interest income of $165,000, resulting from the investment of additional funds provided by operations, partially offset by an increase in foreign currency exchange losses of 43,000.

For the twenty-six weeks ended December 2, 2000, the Company reported an income tax benefit of $549,000 against earnings before taxes of $2,154,000 due primarily to the fact that the Company reversed a portion of its valuation allowance against certain domestic tax benefits totaling $1,344,000. Continued and projected future profitability of the Company's U.S. operations, including those of AngioDynamics, made it more likely than not that certain deferred tax assets would be realized through future taxable earnings. The Company's effective tax rate for the twenty-six weeks ended November 27, 1999 approximated the Federal statutory tax rate of 34%. Losses incurred in a foreign jurisdiction subject to lower tax rates and non-deductible expenses were offset by earnings of the Company's Puerto Rican subsidiary, which are subject to favorable U.S. tax treatment.

Liquidity and Capital Resources

For the twenty-six weeks ended December 2, 2000, capital expenditures, the purchase of treasury stock and debt repayments were funded by cash provided by operations. The Company's policy has been to fund capital requirements without incurring significant debt. At December 2, 2000, debt (notes payable, current maturities of long-term debt and long-term debt) was $1,491,000, compared to $1,636,000 at June 3, 2000. The Company has available $5,233,000 under two bank lines of credit of which no amounts were outstanding at December 2, 2000.

At December 2, 2000, approximately 66% of the Company's assets consisted of inventories, accounts receivable, short-term debt and equity securities, and cash and cash equivalents. The current ratio was 5.18 to 1, with net working capital of $55,233,000, at December 2, 2000, compared to a current ratio of 4.25 to 1, with net working capital of $51,434,000, at June 3, 2000.

In January 1999, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's Class B Common Stock at an aggregate purchase price of up to $2,000,000. In October 1999, the Board modified the program to include the Company's Class A Common Stock. In February 2000, the Board further modified the program to increase the aggregate purchase price of Class A and Class B Common Stock by an additional $2,000,000. As of December 2, 2000, the Company had repurchased 40,109 shares of Class A Common Stock and 365,126 shares of Class B Common Stock for approximately $2,880,000.

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are intended to be covered by the safe harbors created thereby. Words such as "expects", "intends", "anticipates", "plans", "believes", "seeks", "estimates", or variations of such words and similar expressions are intended to identify such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the ability of the Company to develop its products, future actions by the U.S. Food and Drug Administration or other regulatory agencies, results of pending or future clinical trials, as well as general market conditions, competition and pricing. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

Effects of Recently Issued Accounting Pronouncements

In September 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. SFAS No. 133 also specifies new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged and specifies detailed criteria to be met to qualify for hedge accounting. SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after September 15, 2000. The Company currently does not use derivative instruments as defined by SFAS No. 133. If the Company continues not to use these derivative instruments by the effective date of SFAS No. 133, the adoption of this pronouncement will have no effect on the Company's results of operations or financial position.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign currency exchange rates and, to a much lesser extent, interest rates on investments and financing, which could impact results of operations and financial position. The Company does not currently engage in hedging or other market risk management tools. There have been no material changes with respect to market risk previously disclosed in the fiscal 2000 Annual Report on Form 10-K.

Foreign Currency Exchange Rate Risk

The Company's international subsidiaries are denominated in currencies other than the U.S. dollar. Since the functional currency of the Company's international subsidiaries is the local currency, foreign currency translation adjustments are accumulated as a component of accumulated other comprehensive income (loss) in stockholders' equity. Assuming a hypothetical aggregate change in the foreign currencies versus the U.S. dollar exchange rates of 10% at December 2, 2000, the Company's assets and liabilities would increase or decrease by $2,017,000 and $575,000, respectively, and the Company's net sales and net earnings would increase or decrease by $1,820,000 and $22,000, respectively, on an annual basis.

The Company also maintains intercompany balances and loans receivable with

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subsidiaries with different local currencies. These amounts are at risk of foreign exchange losses if exchange rates fluctuate. Assuming a hypothetical aggregate change in the foreign currencies versus the U.S. dollar exchange rates of 10% at December 2, 2000, results of operations would be favorably or unfavorably impacted by approximately $553,000 on an annual basis.

Interest Rate Risk

The Company is exposed to interest rate change market risk with respect to its investments in tax-free municipal bonds in the amount of $13,455,000. The bonds bear interest at a floating rate established weekly. For the twenty-six weeks ended December 2, 2000, the after-tax interest rate on the bonds approximated 4.4%. Each 100 basis point (1%) fluctuation in interest rates will increase or decrease interest income on the bonds by approximately $135,000 on an annual basis.

As the Company's principal amount of fixed interest rate financing approximated $1,491,000 at December 2, 2000, a change in interest rates would not materially impact results of operations or financial position. At December 2, 2000, the Company did not maintain any variable interest rate financing.

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E-Z-EM, Inc. and Subsidiaries

Part II: Other Information

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareholders held October 24, 2000, the following persons were elected as Directors of the Company:

Class I Directors: (until the 2003 Annual Meeting)

Michael A. Davis, M.D.
James L. Katz, CPA, JD
Anthony A. Lombardo

In this election, 3,718,462, 3,871,967 and 3,874,487 votes were cast for Mr. Davis, Mr. Katz and Mr. Lombardo, respectively, and 160,437, 6,932 and 4,412 shares were withheld from voting for Mr. Davis, Mr. Katz and Mr. Lombardo, respectively.

The following Directors continue in office for the duration of their terms:

Class II Directors: (until the 2001 Annual Meeting)

Paul S. Echenberg
Donald A. Meyer
Robert M. Topol

Class III Directors: (until the 2002 Annual Meeting)

Howard S. Stern
David P. Meyers

The action of the Board of Directors in appointing Grant Thornton LLP as the Company's independent auditors for fiscal year 2001 was approved by a vote of 3,875,634 in favor, 1,411 against, and 1,854 shares abstaining.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 2, 2000.

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 thereunto duly authorized.

E-Z-EM, Inc.
(Registrant)

Date January 16, 2001

/s/ Anthony A. Lombardo
Anthony A. Lombardo, President,
Chief Executive Officer and Director

Date January 16, 2001

/s/ Dennis J. Curtin
Dennis J. Curtin, Senior Vice
President - Chief Financial Officer

(Principal Financial and Chief
Accounting Officer)