

TRANSGENOMIC INC  
Form 10-Q  
May 13, 2011  
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# 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 March 31, 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: 000-30975

# TRANSGENOMIC, INC.

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>911789357</b> (I.R.S. Employer Identification No.)
<b>12325 Emmet Street, Omaha, Nebraska</b> (Address of principal executive offices)	<b>68164</b> (Zip Code)
<b>(402) 452-5400</b> (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 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. (Check one):

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

As of May 13, 2011, the number of shares of common stock outstanding was 49,299,672.

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**TRANSGENOMIC, INC.**

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	<b>March 31,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,170	\$ 3,454
Accounts receivable (net of allowances for bad debts of \$716 and \$334, respectively)	7,551	7,601
Inventories (net of allowances for obsolescence of \$520 and \$518, respectively)	3,163	3,344
Other current assets	762	635
Total current assets	14,646	15,034
<b>PROPERTY AND EQUIPMENT:</b>		
Equipment	9,839	9,820
Furniture, fixtures & leasehold improvements	3,707	3,479
	13,546	13,299
Less: accumulated depreciation	(11,885)	(11,697)
	1,661	1,602
<b>OTHER ASSETS:</b>		
Goodwill	6,275	6,275
Intangibles (net of accumulated amortization of \$817 and \$519, respectively)	8,664	8,962
Other assets	152	154
	\$ 31,398	\$ 32,027
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 813	\$ 1,360
Accrued compensation	1,015	875
Short term debt	741	989
Accrued liabilities	4,017	3,231
Contractual obligation	1,572	1,628
Current portion of lease obligations	182	170
Total current liabilities	8,340	8,253
Long term debt less current maturities	8,640	8,640
Redeemable Series A convertible preferred stock, \$0.1 par value, 3,879,307 shares authorized, 2,586,205 shares issued and outstanding	1,553	1,457
Preferred stock conversion feature	5,078	1,983
Warrant liability	1,283	2,351
Other long-term liabilities	918	843

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Total liabilities	25,812	23,527
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, \$.01 par value, 15,000,000 shares authorized, 2,586,205 shares issued and outstanding		
Common stock, \$.01 par value, 100,000,000 shares authorized, 49,299,672 and 49,289,672 shares issued and outstanding, respectively		
	498	498
Additional paid-in capital	139,746	139,730
Accumulated other comprehensive income	1,697	1,589
Accumulated deficit	(136,355)	(133,317)
Total stockholders equity	5,586	8,500
	\$ 31,398	\$ 32,027

See notes to unaudited condensed consolidated financial statements.

**Table of Contents****TRANSGENOMIC, INC. AND SUBSIDIARY****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands except per share data)

	Three Months Ended March 31,	
	2011	2010
<b>NET SALES</b>	\$ 7,480	\$ 5,442
<b>COST OF GOODS SOLD</b>	3,326	2,558
Gross profit	4,154	2,884
<b>OPERATING EXPENSES:</b>		
Selling, general and administrative	4,323	2,432
Research and development	557	827
Restructuring Charges	24	
	4,904	3,259
<b>LOSS FROM OPERATIONS</b>	(750)	(375)
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense	(238)	
Expense on preferred stock	(2,027)	
Other, net	231	
	(2,034)	
<b>LOSS BEFORE INCOME TAXES</b>	(2,784)	(375)
<b>INCOME TAX BENEFIT</b>	(6)	(51)
<b>NET LOSS</b>	\$ (2,778)	\$ (324)
<b>PREFERRED STOCK DIVIDENDS AND ACCRETION</b>	(260)	
<b>NET LOSS AVAILABLE TO COMMON STOCKHOLDERS</b>	\$ (3,038)	\$ (324)
<b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	\$ (0.06)	\$ (0.01)
<b>BASIC AND DILUTED WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING</b>	49,293,005	49,189,672

See notes to unaudited condensed consolidated financial statements.

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## TRANSGENOMIC, INC. AND SUBSIDIARY

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Three Months Ended March 31, 2011

(Dollars in thousands except per share data)

	Common Stock				Accumulated Other Comprehensive Income (Loss)	Total
	Outstanding Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit		
Balance, January 1, 2011	49,289,672	\$ 498	\$ 139,730	\$ (133,317)	\$ 1,589	\$ 8,500
Net loss				(2,888)	(2,888)	(2,888)
Other comprehensive income (loss):						
Foreign currency translation adjustment, net of tax					107	107
Comprehensive loss					(2,781)	
Non-cash stock-based compensation			9			9
Issuance of shares for employee stock options	10,000		7			7
Dividends on preferred stock				(150)		(150)
Balance, March 31, 2011	49,299,672	\$ 498	\$ 139,746	\$ (136,355)	\$ 1,697	\$ 5,586

See notes to unaudited condensed consolidated financial statements.

**Table of Contents****TRANSGENOMIC, INC. AND SUBSIDIARY****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Dollars in thousands)**

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,778)	\$ (324)
Adjustments to reconcile net loss to net cash flows provided (used in) by operating activities:		
Depreciation and amortization	494	165
Non-cash, stock based compensation	9	1
Loss on sale assets		1
Provision for losses on doubtful accounts	448	(27)
Provision for losses on inventory obsolescence	7	(1)
Preferred stock revaluation	2,027	
Changes in operating assets and liabilities:		
Accounts receivable	(350)	(56)
Inventories	210	(18)
Prepaid expenses and other current assets	316	(220)
Accounts payable	(780)	247
Accrued liabilities	471	684
Other long term liabilities	(29)	(67)
Long term deferred income taxes	6	7
Net cash flows provided by (used in) operating activities	51	392