

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

INTEGRAMED AMERICA INC
Form 10-Q
November 14, 2001

=====

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

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 No. 0-20260
Commission File No. 1-11440

INTEGRAMED AMERICA, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06-1150326
(I.R.S. employer identification no.)

One Manhattanville Road
Purchase, New York
(Address of principal executive offices)

10577
(Zip code)

(914) 253-8000
(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 No

The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding on November 7, 2001 was 3,047,876.

=====

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

INTEGRAMED AMERICA, INC.
FORM 10-Q

TABLE OF CONTENTS

	PAGE
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets at September 30, 2001 (unaudited) and December 31, 2000.....	3
Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2001 and 2000 (unaudited)..	4
Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2001 and 2000 (unaudited).....	5
Notes to Consolidated Financial Statements (unaudited).....	6-8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	9-13
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	13
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings.....	14
Item 2. Changes in Securities.....	14
Item 3. Defaults upon Senior Securities.....	14
Item 4. Submission of Matters to a Vote of Security Holders.....	14
Item 5. Other Information.....	14
Item 6. Exhibits and Reports on Form 8-K.....	14
SIGNATURES	15

PART I -- FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

INTEGRAMED AMERICA, INC.
 CONSOLIDATED BALANCE SHEETS
 (all dollars in thousands, except per share amounts)

ASSETS

	Sept

	(u
Current assets:	
Cash and cash equivalents	\$
Patient accounts receivable, less allowance for doubtful accounts of \$1,931 and \$1,457 in 2001 and 2000, respectively	1
Business Service fees receivable	
Prepays and other current assets	

Total current assets	1
Fixed assets, net	
Intangible assets, net	1
Other assets	

Total assets	\$ 4 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Accounts payable	\$
Accrued liabilities	
Due to Medical Practices	
Current portion of long-term notes payable and other obligations	
Patient deposits	

Total current liabilities	1

Long-term notes payable and other obligations	

Shareholders' equity:	
Preferred Stock, \$1.00 par value - 3,165,644 shares authorized in 2001 and 2000, 2,500,000 undesignated; 665,644 shares designated as Series A Cumulative Convertible of which 165,644 shares were issued and outstanding in 2001 and 2000, respectively	
Common Stock, \$.01 par value - 50,000,000 shares authorized in 2001 and 2000; and 5,473,571 and 5,413,571 shares issued in 2001 and 2000, respectively	
Capital in excess of par	5
Accumulated deficit	(2
Restricted Stock Grants	
Treasury Stock, at cost - 2,480,085 and 1,600,013 shares in 2001 and 2000, respectively ..	(

Total shareholders' equity	2

Total liabilities and shareholders' equity	\$ 4 =====

See accompanying notes to the consolidated financial statements.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

-3-

INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(all amounts in thousands, except per share amounts)

	For the		F nine-m ended
	three-month period ended September 30,		
	2001	2000	2001
	(unaudited)		(u
Revenues, net	\$ 19,958	\$ 14,810	\$ 54,7
Cost of services incurred:			
Employee compensation and related expenses	7,775	5,441	21,4
Direct materials	4,582	3,267	12,3
Occupancy costs	1,086	827	2,9
Depreciation	324	307	8
Other expenses	3,471	2,536	9,4
Total cost of services incurred	17,238	12,378	47,0
Contribution	2,720	2,432	7,6
General and administrative expenses	1,945	1,642	5,5
Amortization of intangible assets	224	216	6
Interest income	(44)	(56)	(1
Interest expense	61	109	2
Total other expenses	2,186	1,911	6,2
Income before income taxes	534	521	1,4
Provision for income taxes	65	81	1
Net income	469	440	1,2
Less: Dividends paid and/or accrued on Preferred Stock	33	33	
Net income applicable to Common Stock	\$ 436	\$ 407	\$ 1,1
Basic earnings per share of Common Stock	\$ 0.14	\$ 0.10	\$ 0.
Diluted earnings per share of Common Stock	\$ 0.14	\$ 0.10	\$ 0.
Weighted average shares - basic	3,043	4,059	3,0
Weighted average shares - diluted	3,177	4,119	3,1

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

See accompanying notes to the consolidated financial statements.

-4-

INTEGRAMED AMERICA, INC.
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (all amounts in thousands)

	nine ended ----- 200 ----- (
Cash flows from operating activities:	
Net income	\$ 1,2
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,0
Change in assets and liabilities -- Decrease (increase) in assets:	
Patient accounts receivable	
Business Services fees receivable	2
Other current assets	2
Other assets	
(Decrease) increase in liabilities:	
Accounts payable	2
Accrued liabilities	(3
Due to Medical Practices	5
Patient deposits	2,4
Net cash provided by operating activities	6,8 -----
Cash flows used in investing activities:	
Purchase of fixed assets and leasehold improvements	(1,5
Payment for exclusive business service rights	(2
Proceeds from sale of fixed assets and leasehold improvements	-- -----
Net cash used in investing activities	(1,7 -----
Cash flows used in financing activities:	
Principal repayments on debt	(7
Principal repayments under capital lease obligations	(1
Repurchase of Common Stock	(2,0
Proceeds from exercise of Common Stock warrants and options	
Dividends paid on Convertible Preferred Stock	(
Net cash used in financing activities	(2,9 -----
Net increase in cash	2,2
Cash at beginning of period	5,3

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Cash at end of period \$ 7,5
=====

See accompanying notes to the consolidated financial statements.

-5-

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 -- INTERIM RESULTS:

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position at September 30, 2001, and the results of operations and cash flows for the interim period presented. Operating results for the interim period are not necessarily indicative of results that may be expected for the year ending December 31, 2001. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

NOTE 2 -- EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted EPS from continuing operations computations for the three and nine-month periods ended September 30, 2001 and 2000 is as follows (000's omitted, except for per share amounts):

	For the three-month period ended September 30,		For the nine-month pe ended Septembe	
	2001	2000	2001	
	----- (unaudited)		----- (unaudited)	
Numerator				
Net Income	\$ 469	\$ 440	\$ 1,234	\$
Less: Preferred Stock dividends paid	(33)	(33)	(99)	
Net income available to common stockholders	\$ 436	\$ 407	\$ 1,135	\$
	=====	=====	=====	=====
Denominator				

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Weighted average shares basic	3,043	4,059	3,091
Effect of dilutive options and warrants	134	60	67
	-----	-----	-----
Weighted average shares and dilutive potential common shares	3,177	4,119	3,158
	=====	=====	=====
Basic EPS	\$ 0.14	\$ 0.10	\$ 0.37
Diluted EPS	\$ 0.14	\$ 0.10	\$ 0.36

For the three and nine-month periods ended September 30, 2001, the effect of the assumed exercise of options to purchase approximately 216,000 and 465,000 shares of Common Stock, respectively, at per share exercise prices ranging from \$4.63 to \$5.38 and from \$4.00 to \$5.38, respectively, were excluded in computing the diluted per share amount because the exercise prices of the options were greater than the average market price of the shares of Common Stock, therefore causing these options to be antidilutive. For the three and nine-month periods ended September 30, 2001, the effect of the assumed exercise of warrants to purchase approximately 25,000 and 62,000 shares of Common Stock, respectively, at per share exercise prices ranging from \$5.13 to \$7.24 and \$4.12 to \$7.24, respectively, were excluded in computing the diluted per share amount because the exercise prices of the warrants were greater than the average market price of the shares of Common Stock, therefore causing these warrants to be antidilutive.

-6-

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

For the three and nine-month periods ended September 30, 2000, options to purchase approximately 607,000 and 532,000 shares of Common Stock, respectively, at per share exercise prices ranging from \$2.50 to \$5.00 and from \$3.36 to \$5.00, respectively, were excluded in computing the diluted earnings per share amount because the exercise prices of the options were greater than the average market price of the shares of Common Stock, therefore, causing these options to be antidilutive. For both the three and nine-month periods ended September 30, 2000, the effect of the assumed exercise of warrants to purchase approximately 103,000 shares of Common Stock at per share exercise prices ranging from \$4.12 to \$8.54 were excluded in computing the diluted earnings per share amount because the exercise prices of the warrants were greater than the average market price of the shares of Common Stock, therefore, causing these warrants to be antidilutive.

For the three month and nine month periods ended September 30, 2001 and 2000, approximately 133,000 shares of Common Stock from the assumed conversion of Preferred Stock were excluded in computing the diluted per share amount as they were antidilutive.

NOTE 3 -- SEGMENT INFORMATION:

The Company is principally engaged in providing products and services to the fertility market. For disclosure purposes, the Company recognizes Business Services offered to its network of Reproductive Science Centers and its

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

pharmaceutical distribution operations as separate reporting segments as follows
(000's omitted):

	Corporate -----	Business Services -----	Pharmac Distri -----
For the three months ended September 30, 2001			
Revenues	\$ --	\$ 15,833	\$ 4
Cost of Services	--	13,292	3
	-----	-----	-----
Contribution	--	2,541	
	-----	-----	-----
General and administrative expenses	1,945	--	
Amortization of intangibles	--	222	
Interest, net	28	(7)	
	-----	-----	-----
Income (loss) before income taxes	(1,973)	2,326	
	-----	-----	-----
Depreciation expense included above	107	324	
Capital expenditures	--	218	
For the nine months ended September 30, 2001			
Revenues	\$ --	\$ 43,547	\$ 11
Cost of Services	--	36,358	10
	-----	-----	-----
Contribution	--	7,189	
	-----	-----	-----
Other costs	5,514	--	
Amortization of intangibles	2	658	
Interest, net	114	(24)	
	-----	-----	-----
Income (loss) before income taxes	(5,630)	6,555	
	-----	-----	-----
Depreciation expense included above	321	898	
Capital expenditures	161	1,348	

-7-

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Corporate -----	Business Services -----	Pharmaceu Distrib -----
--------------------	-------------------------------	-------------------------------

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

For the three months ended September 30, 2000

Revenues	\$ --	\$ 11,873	\$ 2
Cost of Services	--	9,547	2
	-----	-----	-----
Contribution	--	2,326	-----
	-----	-----	-----
General and administrative expenses	1,642	--	-----
Amortization of intangibles	1	213	-----
Interest, net	61	(6)	-----
	-----	-----	-----
Income (loss) before income taxes	(1,704)	2,119	-----
	-----	-----	-----
Depreciation expense included above	111	307	-----
Capital expenditures	4	128	-----

For the nine months ended September 30, 2000

Revenues	\$ --	\$ 35,135	\$ 6
Cost of Services	--	28,880	6
	-----	-----	-----
Contribution	--	6,255	-----
	-----	-----	-----
General and administrative expenses	4,381	--	-----
Amortization of intangibles	13	632	-----
Interest, net	190	5	-----
	-----	-----	-----
Income (loss) before income taxes	(4,584)	5,618	-----
	-----	-----	-----
Depreciation expense included above	349	986	-----
Capital expenditures	55	665	-----

NOTE 4 -- NEW ACCOUNTING PRONOUNCEMENTS:

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations ("FAS 141") and No. 142, Goodwill and Other Intangible Assets ("FAS 142"). FAS141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of FAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt FAS 142 effective January 1, 2002 and is currently evaluating the effect that adoption of the provisions of FAS 142 will have on its results of operations and financial position.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included in this quarterly report and with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

IntegraMed America, Inc. (the "Company") offers products and services to patients, providers, payors and pharmaceutical manufacturers in the fertility industry. The IntegraMed Network is comprised of twenty-two fertility centers in major markets across the United States, a pharmaceutical distribution subsidiary, a financing subsidiary, the Council of Physicians and Scientists, and a leading fertility portal (www.integramed.com). Seventeen of these fertility centers have access to the Company's FertilityDirect Program. Five of the fertility centers are designated as "Reproductive Science Centers(R)" and as such, have access to the Company's FertilityDirect Program in addition to being provided with a full range of services by the Company including: (i) administrative services, including accounting and finance, human resource functions, and purchasing of supplies and equipment; (ii) access to capital; (iii) marketing and sales; (iv) integrated information systems; (v) assistance in identifying best clinical practices; and (vi) laboratory services (collectively, "Business Services").

The Company's strategy is to align information, technology and finance for the benefit of fertility patients, providers, payors and pharmaceutical manufacturers. The primary elements of the Company's strategy include: (i) selling additional FertilityDirect contracts to leading fertility centers in major markets; (ii) selling Shared Risk Refund Treatment Packages to patients of contracted fertility centers and managing the risk associated with the programs; (iii) selling additional Reproductive Science Center Business Service contracts; (iv) increasing revenues at Reproductive Science Centers; (v) increasing sales of pharmaceutical products and services; (vi) expanding clinical research opportunities; and (vii) establishing Internet-based access to patient-specific information on treatment process and outcomes.

In December 2000, the Company's agreement with the medical center based Reproductive Science Center was terminated early. The Company received \$1.44 million in liquidated damages pursuant to an early termination agreement. The amount received was recorded as deferred revenue at December 31, 2000, as the Company has certain transition obligations through December 2001, and accordingly is being amortized ratably into income in 2001. It is anticipated that the cost of the transition obligations incurred to date, and those expected to be incurred during the remainder of the transition period, will be immaterial.

The Company recently renegotiated a lower fee structure for the business service fees it charges to the Reproductive Science Centers. This lower fee structure commences January 1, 2002. The Company believes that additional business service fees based on increased Reproductive Science Center volume will substantially offset any revenue reduction as a result of the lower fee structure.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Results of Operations

The following table shows the percentage of revenues represented by various expense and other income items reflected in the Company's Consolidated Statement of Operations.

	For the three-month period ended September 30,		For the nine-month p ended Septem
	2001	2000	2001
	----- (unaudited)		----- (unaudite
Revenues, net	100.0%	100.0%	100.0%
Cost of services incurred:			
Employee compensation and related expenses	39.0	36.7	39.1
Direct materials	23.0	22.1	22.6
Occupancy costs	5.4	5.6	5.4
Depreciation	1.6	2.1	1.6
Other expenses	17.4	17.1	17.2
	-----	-----	-----
Total cost of services incurred	86.4	83.6	85.9
Contribution	13.6	16.4	14.1
General and administrative expenses	9.7	11.1	10.1
Amortization of intangible assets	1.1	1.5	1.2
Interest income	(0.2)	(0.4)	(0.2)
Interest expense	0.3	0.7	0.4
	-----	-----	-----
Total other expenses	10.9	12.9	11.5
	-----	-----	-----
Income before income taxes	2.7	3.5	2.6
Provision for income taxes	0.3	0.5	0.3
	-----	-----	-----
Net income	2.4%	3.0%	2.3%
	=====	=====	=====

Three Months Ended September 30, 2001 Compared to Three Months Ended September 30, 2000

Revenues for the three months ended September 30, 2001 (the third quarter of 2001) were approximately \$20.0 million as compared to approximately \$14.8 million for the three months ended September 30, 2000, an increase of 34.8%. Approximately 73% of the increase in revenues is attributable to same market growth in reimbursed costs and business service fees in the Reproductive Science Centers. Approximately 23% of the increase in revenues is attributable to sales increases in the Company's pharmaceutical distribution division. Approximately 4% of the increase is attributed to new business ventures in the fields of medical research and the Company's FertilityDirect program.

Total costs of services as a percentage of revenues were 86.4% in the third quarter of 2001, compared to 83.6% in the third quarter of 2000. Employee compensation increased as a percentage of revenues due to increased employee headcount and increases in professional fees associated with increases in patient volume at the Company's Network locations. Direct materials increased as a percentage of revenues, primarily due to the cost of products sold at the

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

pharmaceutical distribution division. Depreciation expense decreased as a percentage of revenues as the existing asset base is sufficient to service the growing patient volume.

Contribution was approximately \$2.7 million in the third quarter of 2001 as compared to \$2.4 million in the third quarter of 2000, an increase of approximately 11.8%. This increase is the result of (i) increased volume at various Reproductive Science Centers, and (ii) improving volume and margins in the pharmaceutical distribution division. Contribution as a percentage of revenue declined as a greater share of the revenue was attributed to pharmaceutical sales which have a lower margin than Business Services and the impact of certain payor contracts which call for volume discounts per unit of service as volume increases while costs per unit under related vendor contracts do not decrease with volume. Steps are being taken to tie revenue volume discounts to vendor cost contracts.

-10-

General and administrative expenses for the third quarter of 2001 were approximately \$1.9 million as compared to approximately \$1.6 million in the third quarter of 2000, an increase of 18.5%. As a percentage of revenue, general and administrative costs decreased to 9.7% in the third quarter of 2001 from 11.1% for the same period in 2000 as these costs typically do not vary with volume. The increase was largely due to increases in compensation, marketing initiatives related to the Company's Internet strategy as well as increased consulting fees and higher information systems support costs.

Amortization of intangible assets was \$224,000 in the third quarter of 2001 as compared to \$216,000 in the third quarter of 2000, a increase of 3.7%. This increase was attributable to the purchase of additional business service rights to physician practices affiliated with two of the Company's Network locations.

Interest income for the third quarter of 2001 decreased to \$44,000 from \$56,000 for the third quarter of 2000, due to lower effective interest rates. Interest expense for the third quarter of 2001 decreased to \$61,000 from \$109,000 in the third quarter of 2000, due to scheduled debt payments on the Company's line of credit as well as lower effective interest rates.

The provision for income taxes primarily related to state taxes. The provision for income taxes decreased to \$65,000 in the third quarter of 2001 from \$81,000 in the third quarter of 2000 as better approximations of actual tax liabilities for individual states were available.

Net income was \$469,000 in the third quarter of 2001 as compared to \$440,000 in the third quarter of 2000, an increase of 6.6%. The increase was primarily due to (i) increased volume at the Reproductive Science Centers and the Company's pharmaceutical distribution division, partially offset by increases in general and administrative expenses at the Company's headquarters, and (ii) decreases in interest expense related to the pay-down of debt.

Nine Months Ended September 30, 2001 Compared to Nine Months
Ended September 30, 2000

Revenues for the nine months ended September 30, 2001 were approximately \$54.7 million as compared to approximately \$41.9 million for the nine months ended September 30, 2000, an increase of 30.5%. Approximately 64% of the increase in revenues is attributable to same market growth in reimbursed costs and business service fees in the Reproductive Science Centers. Approximately 36%

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

of the increase in revenues is attributable to sales increases in the Company's pharmaceutical distribution division and the Company's FertilityDirect division.

Total costs of services as a percentage of revenues were 85.9% for the first nine months of 2001, compared to 84.6% during the first nine months of 2000. Employee compensation increased as a percentage of revenues due to professional fees and headcount increases associated with higher patient volume. Direct materials increased as a percentage of revenues, due to increased patient volumes at the network sites and higher volume of products sold at the pharmaceutical distribution division. Depreciation expense decreased as a percentage of revenues as the existing asset base is sufficient to service the growing patient volume. Other expenses decreased as a percentage of revenue, due to the elimination of contract termination costs and the impact of these costs typically not varying with volume.

Contribution was approximately \$7.7 million for the first nine months of 2001 as compared to \$6.5 million for the first nine months of 2000, an increase of approximately 18.4%. This increase is the result of (i) patient volume increases at various Reproductive Science Centers, (ii) improving margins in the pharmaceutical distribution division, the result of increased sales to patients at the various Network Sites, and (iii) elimination of operating losses at the Kansas City based Reproductive Science Center which was closed during the first quarter of 2000. Contribution as a percentage of revenue declined slightly as a greater share of revenue was attributed to pharmaceutical sales which carry a lower margin than Business Services.

-11-

General and administrative expenses for the first nine months of 2001 were approximately \$5.5 million as compared to approximately \$4.4 million for the first nine months of 2000, an increase of 25.9%. The increase was largely due to increases in legal fees, management information system expenses, and employee compensation. As a percentage of revenues, general and administrative expenses decreased to approximately 10.1% in the first nine months of 2001 from approximately 10.4% during the same period in 2000.

Amortization of intangible assets was \$665,000 during the first nine months of 2001 as compared to \$650,000 for the same period in 2000, an increase of 2.3%. This increase was attributable to the purchase of additional management rights to physician practices affiliated with two of the Company's Network locations.

Interest expense for the first nine months of 2001 decreased to \$224,000 from \$328,000 for the first nine months of 2000, due to scheduled payments of debt on the Company's line of credit as well as lower effective interest rates.

The provision for income taxes primarily related to state taxes. The provision for income taxes increased to \$179,000 during the first nine months of 2001 from \$165,000 in the same period in 2000 in line with increased taxable income.

Net income was \$1.2 million for the first nine months of 2001 as compared to \$1.1 million for the same period in 2000, an increase of 12.4%. The increase was primarily due to (i) increased volume at the Reproductive Science Centers and the Company's pharmaceutical distribution division, partially offset by increases in general and administrative expenses at the Company's headquarters, (ii) decreases in interest expense related to the pay-down of debt, and (iii) the elimination of operational expenses related to the wind down of the Kansas City Reproductive Science Center operations.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Liquidity and Capital Resources

Historically, the Company has financed its operations primarily through operating cash flow, sales of equity securities and bank financings. As of September 30, 2001, the Company had working capital of approximately \$3.2 million and cash and cash equivalents of approximately \$7.5 million, compared to working capital of approximately \$4.9 million and cash and cash equivalents of \$5.3 million at December 31, 2000. The net decrease in working capital at September 30, 2001 was principally due to (i) the repurchase of 880,072 shares of the Company's Common Stock for an aggregate purchase price of \$2.0 million, (ii) repayments of debt of \$0.75 million, (iii) the acquisition of fixed assets of \$1.5 million and (iv) an increase in patient deposits of \$2.5 million.

The Company expects its cash flows from operating activities and bank financing capacity to be sufficient to fund its needs for asset acquisition, debt repayments and new service initiatives for the next year.

Forward Looking Statements

This Form 10-Q and discussions and/or announcements made by or on behalf of the Company, contain certain forward-looking statements regarding events and/or anticipated results within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the attainment of which involve various risks and uncertainties. Forward-looking statements may be identified by the use of forward-looking terminology such as, may, will, expect, believe, estimate, anticipate, continue, or similar terms, variations of those terms or the negative of those terms. The Company's actual results may differ materially from those described in these forward-looking statements due to the following factors: the Company's ability to acquire additional business service agreements, including the Company's ability to raise additional debt and/or

-12-

equity capital to finance future growth, the loss of significant business service agreement(s), the profitability or lack thereof at Reproductive Science Centers serviced by the Company, increases in overhead due to expansion, the exclusion of infertility and ART services from insurance coverage, government laws and regulations regarding health care, changes in managed care contracting, the timely development of and acceptance of new infertility, ART and/or genetic technologies and techniques.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

-13-

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

- None.
- Item 2. Changes in Securities.
None.
- Item 3. Defaults Upon Senior Securities.
None.
- Item 4. Submission of Matters to Vote of Security Holders.
None.
- Item 5. Other Information.
None.
- Item 6. Exhibits and Reports on Form 8-K.
See Index to Exhibits on Page 16.

-14-

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.

INTEGRAMED AMERICA, INC.
(Registrant)

Date: November 14, 2001

By: /s/ John W. Hlywak, Jr.

John W. Hlywak, Jr.
Senior Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

-15-

Exhibit
Number

Exhibit

10.61(d) -- Amendment No. 4 to Management Agreement between IntegraMed America, Inc. and Bay Area Fertility and Gynecology Medical Group, P.C.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

- 10.61(e) -- Amendment No. 5 to Management Agreement between IntegraMed America, Inc. and Bay Area Fertility and Gynecology Medical Group, P.C.
- 10.95(c) -- Amendment No. 8 to Management Agreement between IntegraMed America, Inc. and Fertility Centers of Illinois, S.C.
- 10.105(e) -- Amendment No. 5 to Management Agreement between IntegraMed America, Inc. and Shady Grove Reproductive Science Center, P.C.
- 10.105(f) -- Amendment No. 6 to Management Agreement between IntegraMed America, Inc. and Shady Grove Reproductive Science Center, P.C.
- 10.113(g) -- Amended and Restated Loan Agreement dated as of September 28, 2001 between IntegraMed America, Inc. and Fleet National Bank.
- 99.6 -- Registrant's Press Release dated November 1, 2001 (1)

(1) Filed as exhibit with identical exhibit number to Registrant's Report on Form 8-K dated November 1, 2001