

BIO REFERENCE LABORATORIES INC  
Form 10-Q  
June 08, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 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 April 30, 2009**

**Or**

**TRANSITION REPORT PURSUANT TO SECTION 13  
OR 15(D) OF THE SECUTRIES EXCHANGE ACT OF  
1934**

**For the transition period from                      to**

**Commission File Number 0-15266**

**BIO-REFERENCE LABORATORIES, INC.**

(Exact name of registrant as specified in its charter)

**NEW JERSEY**

(State or other jurisdiction of incorporation or organization)

**22-2405059**

(IRS Employer Identification No.)

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481 Edward H. Ross Drive, Elmwood Park, NJ  
(Address of principal executive offices)

07407  
(Zip Code)

(201) 791-2600

(Registrant's telephone number, including area code)

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

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 and 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated Filer

Non-accelerated Filer

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of the issuer's common stock, as of the latest practicable date: 13,807,808 shares of Common Stock (\$.01 par value) at June 8, 2009.

Table of Contents

**BIO-REFERENCE LABORATORIES, INC.**

**FORM 10-Q**

**April 30, 2009**

**I N D E X**

|                              | <b>Page</b>   |
|------------------------------|---|
| <b><u>PART I.</u></b>        | <b><u>FINANCIAL INFORMATION</u></b>   |
| <b><u>Item 1.</u></b>        | <b><u>Financial Statements</u></b>  |
|                              | <b><u>Consolidated Balance Sheets as of April 30, 2009 (unaudited) and October 31, 2008.</u></b> 2  |
|                              | <b><u>Consolidated Statements of Operations for the three months and six months ended April 30, 2009 and April 30, 2008 (unaudited)</u></b> 4 |
|                              | <b><u>Consolidated Statements of Cash Flows (unaudited) for the six months ended April 30, 2009 and April 30, 2008</u></b> 5                  |
|                              | <b><u>Notes to consolidated financial statements (unaudited)</u></b> 7  |
| <b><u>Item 2.</u></b>        | <b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b> 11  |
| <b><u>Item 3</u></b>         | <b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b> 17   |
| <b><u>Item 4.</u></b>        | <b><u>Controls and Procedures</u></b> 17  |
| <b><u>PART II.</u></b>       | <b><u>OTHER INFORMATION</u></b> 17  |
| <b><u>Item 6.</u></b>        | <b><u>Exhibits</u></b> 17   |
| <b><u>Signatures</u></b>     | 18  |
| <b><u>Certifications</u></b> |   |

Table of Contents

Item 1

**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES****PART I FINANCIAL INFORMATION****CONSOLIDATED BALANCE SHEETS****[Dollars In Thousands Except Per Share Data]****ASSETS**

|  | <b>April 30,<br/>2009<br/>(Unaudited)</b> | <b>October 31,<br/>2008</b> |
|--|---|-----------------------------|
| <b><u>CURRENT ASSETS:</u></b>                  |   |                             |
| Cash and Cash Equivalents                      | \$ 13,275                                 | \$ 12,696                   |
| Accounts Receivable - Net                      | 99,970                                    | 93,718                      |
| Inventory                                      | 3,674                                     | 3,731                       |
| Other Current Assets                           | 2,251                                     | 1,771                       |
| Deferred Tax Assets                            | 8,659                                     | 7,635                       |
| <b><u>TOTAL CURRENT ASSETS</u></b>             | <b>127,829</b>                            | <b>119,551</b>              |
| <b><u>PROPERTY AND EQUIPMENT - AT COST</u></b> | <b>47,274</b>                             | <b>42,688</b>               |
| <b><u>LESS: Accumulated Depreciation</u></b>   | <b>21,840</b>                             | <b>18,231</b>               |
| <b><u>PROPERTY AND EQUIPMENT - NET</u></b>     | <b>25,434</b>                             | <b>24,457</b>               |
| <b><u>OTHER ASSETS:</u></b>                    |   |                             |
| Deposits                                       | 571                                       | 525                         |
| Goodwill - Net                                 | 19,072                                    | 19,072                      |
| Intangible Assets - Net                        | 5,007                                     | 5,574                       |
| Other Assets                                   | 1,280                                     | 1,224                       |
| Deferred Tax Asset                             | 1,078                                     | 908                         |
| <b><u>TOTAL OTHER ASSETS</u></b>               | <b>27,008</b>                             | <b>27,303</b>               |
| <b><u>TOTAL ASSETS</u></b>                     | <b>\$ 180,271</b>                         | <b>\$ 171,311</b>           |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Table of Contents**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

[Dollars In Thousands Except Per Share Data]

**LIABILITIES AND SHAREHOLDERS EQUITY**

|   | April 30,<br>2009<br>(Unaudited) | October 31,<br>2008 |
|---|----------------------------------|---------------------|
| <b><u>CURRENT LIABILITIES:</u></b>  |                                  |                     |
| Accounts Payable  | \$ 21,874                        | \$ 25,801           |
| Accrued Salaries and Commissions Payable  | 7,155                            | 5,590               |
| Accrued Taxes and Expenses  | 3,466                            | 7,315               |
| Revolving Note Payable - Bank   | 25,839                           | 18,831              |
| Current Maturities of Long-Term Debt  | 1,185                            | 1,175               |
| Capital Lease Obligations - Short-Term Portion  | 2,316                            | 2,278               |
| <b><u>TOTAL CURRENT LIABILITIES</u></b>   | <b>61,835</b>                    | <b>60,990</b>       |
| <b><u>LONG-TERM LIABILITIES</u></b>   |                                  |                     |
| Capital Lease Obligations - Long-Term Portion   | 3,101                            | 3,052               |
| Long - Term Debt Net of Current Portion   | 5,135                            | 5,729               |
| <b><u>TOTAL LONG-TERM LIABILITIES</u></b>   | <b>8,236</b>                     | <b>8,781</b>        |
| <b><u>COMMITMENTS AND CONTINGENCIES</u></b>   |                                  |                     |
| <b><u>SHAREHOLDERS EQUITY</u></b>   |                                  |                     |
| Preferred Stock \$.10 Par Value; Authorized 1,666,667 shares, including 3,000 shares of Series A Junior Preferred Stock None Issued                                   |                                  |                     |
| Common Stock, \$.01 Par Value; Authorized 35,000,000 shares: Issued and Outstanding 13,799,308 and 13,776,795 at April 30, 2009 and at October 31, 2008, respectively | 138                              | 138                 |
| Additional Paid-In Capital  | 42,517                           | 42,085              |
| Retained Earnings   | 67,545                           | 59,317              |
| <b><u>TOTAL SHAREHOLDERS EQUITY</u></b>   | <b>110,200</b>                   | <b>101,540</b>      |
| <b><u>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</u></b>   | <b>\$ 180,271</b>                | <b>\$ 171,311</b>   |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Table of Contents**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

[Dollars In Thousands Except Per Share Data]

[UNAUDITED]

|  | Three months ended<br>April 30, |                   | Six months ended<br>April 30, |                   |
|--|---------------------------------|-------------------|-------------------------------|-------------------|
|  | 2009                            | 2008              | 2009                          | 2008              |
| <b><u>NET REVENUES:</u></b>                                | \$ 87,183                       | \$ 75,180         | \$ 162,918                    | \$ 142,059        |
| <b><u>COST OF SERVICES:</u></b>                            |                                 |                   |                               |                   |
| Depreciation and Amortization                              | 1,770                           | 1,407             | 3,445                         | 2,783             |
| Employee Related Expenses                                  | 20,371                          | 18,384            | 39,453                        | 34,859            |
| Reagents and Laboratory Supplies                           | 14,774                          | 11,736            | 26,655                        | 21,992            |
| Other Cost of Services                                     | 7,971                           | 7,471             | 15,373                        | 14,592            |
| <b><u>TOTAL COST OF SERVICES</u></b>                       | <b>44,886</b>                   | <b>38,998</b>     | <b>84,926</b>                 | <b>74,226</b>     |
| <b><u>GROSS PROFIT ON REVENUES</u></b>                     | <b>42,297</b>                   | <b>36,182</b>     | <b>77,992</b>                 | <b>67,833</b>     |
| <b><u>GENERAL AND ADMINISTRATIVE EXPENSES:</u></b>         |                                 |                   |                               |                   |
| Depreciation and Amortization                              | 602                             | 586               | 1,191                         | 1,143             |
| General and Administrative Expenses                        | 21,215                          | 19,488            | 40,393                        | 37,116            |
| Bad Debt Expense   | 12,122                          | 9,893             | 23,080                        | 19,095            |
| <b><u>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</u></b>    | <b>33,939</b>                   | <b>29,967</b>     | <b>64,664</b>                 | <b>57,354</b>     |
| <b><u>INCOME FROM OPERATIONS</u></b>                       | <b>8,358</b>                    | <b>6,215</b>      | <b>13,328</b>                 | <b>10,479</b>     |
| <b><u>OTHER (INCOME) EXPENSE:</u></b>                      |                                 |                   |                               |                   |
| Interest Expense   | 415                             | 584               | 858                           | 1,186             |
| Interest Income  | (39)                            | (67)              | (92)                          | (148)             |
| Other (Income) Expense                                     |                                 |                   | (1,600)                       |                   |
| <b><u>TOTAL OTHER EXPENSES - NET</u></b>                   | <b>376</b>                      | <b>517</b>        | <b>(834)</b>                  | <b>1,038</b>      |
| <b><u>INCOME BEFORE INCOME TAXES</u></b>                   | <b>7,982</b>                    | <b>5,698</b>      | <b>14,162</b>                 | <b>9,441</b>      |
| Provision for Income Taxes                                 | 3,352                           | 2,271             | 5,934                         | 3,806             |
| <b><u>NET INCOME</u></b>                                   | <b>\$ 4,630</b>                 | <b>\$ 3,427</b>   | <b>\$ 8,228</b>               | <b>\$ 5,635</b>   |
| <b><u>NET INCOME PER COMMON SHARE - BASIC:</u></b>         | <b>\$ 0.34</b>                  | <b>\$ 0.25</b>    | <b>\$ 0.60</b>                | <b>\$ 0.41</b>    |
| <b><u>WEIGHTED AVERAGE NUMBER OF SHARES - BASIC:</u></b>   | <b>13,798,908</b>               | <b>13,783,140</b> | <b>13,792,167</b>             | <b>13,774,146</b> |
| <b><u>NET INCOME PER COMMON SHARE - DILUTED:</u></b>       | <b>\$ 0.33</b>                  | <b>\$ 0.25</b>    | <b>\$ 0.59</b>                | <b>\$ 0.40</b>    |
| <b><u>WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED:</u></b> | <b>13,911,509</b>               | <b>13,984,890</b> | <b>13,909,110</b>             | <b>13,993,553</b> |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements



Table of Contents**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

[Dollars In Thousands]

**[UNAUDITED]**

|  | Six months ended<br>April 30 |                  |
|--|------------------------------|------------------|
|  | 2009                         | 2008             |
| <b><u>OPERATING ACTIVITIES:</u></b>  |                              |                  |
| Net Income   | \$ 8,228                     | \$ 5,635         |
| Adjustments to Reconcile Net Income to Cash Provided by (Used for) Operating Activities: |                              |                  |
| Depreciation and Amortization  | 4,636                        | 3,926            |
| Amortization of Deferred Compensation  |                              | 6                |
| Deferred Income Tax (Benefit) Expense  | (1,194)                      | (50)             |
| Stock Based Compensation   | 40                           | 86               |
| (Gain) Loss on Disposal of Fixed Assets  | 166                          | 280              |
| Change in Assets and Liabilities, (Increase) Decrease in:                                |                              |                  |
| Accounts Receivable  | (8,887)                      | (5,393)          |
| Provision for Doubtful Accounts  | 2,635                        | 967              |
| Inventory  | 57                           | (561)            |
| Other Current Assets   | (480)                        | (1,019)          |
| Other Assets and Deposits  | (102)                        | (150)            |
| Increase (Decrease) in:  |                              |                  |
| Accounts Payable and Accrued Liabilities   | (4,044)                      | 3,209            |
| <b><u>NET CASH - OPERATING ACTIVITIES</u></b>  | <b>1,055</b>                 | <b>6,936</b>     |
| <b><u>INVESTING ACTIVITIES:</u></b>  |                              |                  |
| Acquisition of Equipment and Leasehold Improvements                                      | (3,877)                      | (2,847)          |
| Business Acquisitions and Related Costs  | (1,917)                      | (1,917)          |
| <b><u>NET CASH - INVESTING ACTIVITIES</u></b>  | <b>(5,794)</b>               | <b>(4,764)</b>   |
| <b><u>FINANCING ACTIVITIES:</u></b>  |                              |                  |
| Payments of Long-Term Debt   | (584)                        | (436)            |
| Payments of Capital Lease Obligations  | (1,248)                      | (1,497)          |
| Increase (Decrease) in Revolving Line of Credit  | 7,008                        | (2,684)          |
| Proceeds from Exercise of Options  | 142                          | 607              |
| <b><u>NET CASH - FINANCING ACTIVITIES</u></b>  | <b>5,318</b>                 | <b>(4,010)</b>   |
| <b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>                       | <b>579</b>                   | <b>(1,838)</b>   |
| <b><u>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS</u></b>                          | <b>12,696</b>                | <b>11,897</b>    |
| <b><u>CASH AND CASH EQUIVALENTS AT END OF PERIODS</u></b>                                | <b>\$ 13,275</b>             | <b>\$ 10,059</b> |
| <b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u></b>                         |                              |                  |



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Cash paid during the period for:

|              |    |       |    |       |
|--------------|----|-------|----|-------|
| Interest     | \$ | 872   | \$ | 1,245 |
| Income Taxes | \$ | 9,045 | \$ | 4,657 |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Table of Contents

**SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:**

**[Dollars In Thousands Except Per Share Data]**

During the six month periods ended April 30, 2009 and April 30, 2008 the Company entered into capital leases totaling \$1,335 and \$2,593 respectively.

During the six month periods ended April 30, 2009 and April 30, 2008, the Company wrote-off approximately \$626 and \$2,815 of furniture and equipment that were fully depreciated.

During the six month periods ended April 30, 2009 and April 30, 2008 the Company wrote-off approximately \$300 and \$2,333 of intangible assets that were fully amortized.

During the six month periods ended April 30, 2009 and April 30, 2008 the Company recorded approximately \$40 and \$86 of stock based compensation expense under the FAS123R related to granting of stock options and shares of company's stock.

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Table of Contents**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****[Dollars In Thousands Except Per Share Data, Or Unless Otherwise Noted]****(UNAUDITED)**

[1] The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for a fair presentation of the financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial position and operating results have been included in the statements. Interim results are not necessarily indicative of results for a full year. Reference is made to the October 31, 2008 consolidated financial statements of Bio-Reference Laboratories, Inc. contained in its Annual Report on Form 10-K for the year ended October 31, 2008.

[2] The consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the year ended October 31, 2008 as filed with the Securities and Exchange Commission in the Company's Annual Report on Form 10-K.

[3] The significant accounting policies followed by the Company are set forth in Note 2 to the Company's consolidated financial statements in the October 31, 2008 Form 10-K. On November 1, 2008, the Company adopted SFAS 157, Fair Value Measurements. This statement provides a single definition of fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 creates a three-level hierarchy for the inputs used in the valuation techniques to derive fair values where Level 1 is having the highest priority and Level 3 having the lowest priority.

|   | 4/30/2009 | Quoted Prices in<br>Active Markets for<br>Identical<br>Assets/Liabilities<br>Level 1 | Significant Other<br>Observable Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
|---|-----------|--|---|--|
| <b>Assets:</b>  |           |  |   |  |
| Cash surrender value of officers' life insurance policies | \$ 1,280  |  | \$ 1,280  |  |

The adoption of SFAS No. 157 did not have a material impact on our fair value measurements.

[4] Certain prior year amounts have been reclassified to conform to the current year presentation.

[5] Service revenues are principally generated from laboratory testing services including chemical diagnostic tests such as blood analysis, urine analysis and genetic testing among others. Net service revenues are recognized at the time the testing services are performed and are reported at their estimated net realizable amounts. Net realizable amounts from patients, third party payors and others for services rendered, are accrued on

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an estimated basis in the period the related services are rendered, and are adjusted in subsequent periods based upon an analysis of the Company's collection experience from each category of payor group as well as prospectively determined contractual adjustments and discounts with third party payors. Differences between these adjustments and any subsequent revisions are included in the statement of operations in which the revisions are made and are disclosed, if material. Applying this methodology and aggregating its collection experience from all payor groups, the Company has not been required to record an adjustment related to revenue recorded in prior periods that was material in nature. Revenues on the statements of operations are net of the following amounts for allowances and discounts.

|                   | Three Months Ended<br>April 30<br>[Unaudited] |            | Six Months Ended<br>April 30<br>[Unaudited] |            |
|-------------------|---|------------|---|------------|
|                   | 2009  | 2008       | 2009  | 2008       |
| Medicare/Medicaid | \$ 61,382                                     | \$ 48,338  | \$ 113,767                                  | \$ 91,861  |
| Other             | 199,977                                       | 131,542    | 358,863                                     | 245,280    |
|                   | \$ 261,359                                    | \$ 179,880 | \$ 472,630                                  | \$ 337,141 |

A number of proposals for legislation or regulation continue to be under discussion which could have the effect of substantially reducing Medicare reimbursements for clinical laboratories or introducing cost sharing to beneficiaries. Depending upon the nature of regulatory action, if any, which is taken and the content of legislation, if any, which is adopted, the Company could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on the Company. The Company is unable to predict, however, the extent to which such actions will be taken.

[6] An allowance for contractual credits and discounts is estimated by payor group and determined based upon a review of the reimbursement policies and subsequent collections from the different types of payors. The Company has not been required to record an adjustment in a subsequent period related to revenue recorded in a prior period, which was material in nature. Agings of accounts receivable are monitored by billing personnel and follow-up activities are conducted as necessary. Bad debt expense is recorded within selling, general and administrative expenses as a percentage of sales considered necessary to maintain an allowance for doubtful accounts at an appropriate level, based on the Company's experience with its accounts receivable. The Company writes off accounts receivable against the allowance for doubtful accounts when they are deemed to be uncollectible. For client billing, accounts are written off when all reasonable collection efforts prove to be unsuccessful. Patient accounts are written off after the normal dunning cycle has occurred, which may include transfer to a third party collection agency. Third party accounts are written off when they exceed the payer's timely filing limits. Accounts Receivable on the balance sheets are net of the following amounts for contractual credits and doubtful accounts:

Table of Contents

[Unaudited]  
April 30, 2009

October 31, 2008

Contractual Credits/Discounts