

MIMEDX GROUP, INC.
Form 10-Q
July 31, 2017

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 June 30, 2017

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 001-35887

MIMEDX GROUP, INC.

(Exact name of registrant as specified in its charter)

Florida 26-2792552

(State or other jurisdiction of incorporation) (I.R.S. Employer Identification Number)

1775 West Oak Commons Ct NE 30062

Marietta, GA
(Address of principal executive offices) (Zip Code)

(770) 651-9100

(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 "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer "	Non-accelerated filer " (Do not check if a smaller reporting company)	Smaller reporting company "	Emerging growth company "
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(A) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes " No x

As of July 14, 2017, there were 112,470,030 shares of the registrant's common stock outstanding.

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Forward-Looking Statements

This Form 10-Q and certain information incorporated herein by reference contain forward-looking statements and information within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, 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”). This information includes assumptions made by, and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources, acceptance of our products by the market, and management’s plans and objectives. In addition, certain statements included in this and our future filings with the Securities and Exchange Commission (“SEC”), in press releases, and in oral and written statements made by us or with our approval, which are not statements of historical fact, are forward-looking statements. Words such as “may,” “could,” “should,” “would,” “believe,” “expect,” “expectation,” “anticipate,” “estimate,” “intend,” “seeks,” “plan,” “project,” “continue,” “predict,” “will,” “should,” and other expressions of similar meaning are intended by us to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are found at various places throughout this report and in the documents incorporated herein by reference. These statements are based on our current expectations about future events or results and information that is currently available to us, involve assumptions, risks, and uncertainties, and speak only as of the date on which such statements are made.

Our actual results may differ materially from those expressed or implied in these forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in Part II, Item 1A, “Risk Factors,” below and in our most recent Annual Report on Form 10-K, as well as other reports we file with the SEC. Except as expressly required by the federal securities laws, we undertake no obligation to update any such factors, or to publicly announce the results of, or changes to any of the forward-looking statements contained herein to reflect future events, developments, changed circumstances, or for any other reason.

As used herein, the terms “MiMedx,” “the Company,” “we,” “our” and “us” refer to MiMedx Group, Inc., a Florida corporation and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only MiMedx Group, Inc.

Part I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

MIMEDX GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except share data)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$47,533	\$ 34,391
Accounts receivable, net	60,738	67,151
Inventory, net	15,033	17,814
Prepaid expenses	8,218	5,894
Other current assets	1,024	1,288
Total current assets	132,546	126,538
Property and equipment, net of accumulated depreciation	14,419	13,786
Goodwill	20,203	20,203
Intangible assets, net of accumulated amortization	22,289	23,268
Deferred tax asset, net	10,144	9,114
Deferred financing costs and other assets	264	354
Total assets	\$ 199,865	\$ 193,263
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,504	\$ 11,436
Accrued compensation	14,719	12,365
Accrued expenses	7,986	10,941
Current portion of earn out liability	17,574	8,740
Income taxes	(822)	5,768
Other current liabilities	550	1,482
Total current liabilities	51,511	50,732
Earn out liability	—	8,710
Other liabilities	1,084	821
Total liabilities	52,595	60,263
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock; \$.001 par value; 5,000,000 shares authorized and 0 shares issued and outstanding	—	—
Common stock; \$.001 par value; 150,000,000 shares authorized; 112,534,526 issued and 112,462,283 outstanding at June 30, 2017 and 110,212,547 issued and 109,862,787 outstanding at December 31, 2016	112	110
Additional paid-in capital	161,883	161,261
Treasury stock at cost: 72,243 shares at June 30, 2017 and 349,760 shares at December 31, 2016	(966)	(2,216)
Accumulated deficit	(13,759)	(26,155)
Total stockholders' equity	147,270	133,000
Total liabilities and stockholders' equity	\$ 199,865	\$ 193,263

See notes to condensed consolidated financial statements

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MIMEDX GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	\$76,412	\$57,342	\$149,019	\$110,710
Cost of sales	8,631	7,394	17,374	15,341
Gross margin	67,781	49,948	131,645	95,369
Operating expenses:				
Research and development expenses	4,747	3,168	8,949	5,664
Selling, general and administrative expenses	55,314	42,772	108,265	83,420
Amortization of intangible assets	507	447	1,033	1,257
Operating income	7,213	3,561	13,398	5,028
Other expense, net				
Interest expense, net	(149)	(111)	(294)	(167)
Income before income tax provision	7,064	3,450	13,104	4,861