The Associated Press

(http://www.synergeticsusa.com)

Synergetics USA, Inc. (NASDAQ: SURG), a medical device company that designs, manufactures, and markets innovative surgical devices for ophthalmic and neurosurgical applications, today announced results for the third guarter ended April 30, 2012.

Details about the quarter include:

"While our third quarter revenue performance was below our expectations, we are encouraged by the solid start to our fourth quarter driven by improving trends in our disposables business, particularly VersaPACK?, and early order trends from our OEM partners," said David M. Hable, the Company's President and Chief Executive Officer. "The economic difficulties in Europe which depressed demand for our ophthalmic disposables this quarter are unlikely to abate in the short term and we are taking proactive measures to stabilize performance in the region while also developing opportunities in the emerging markets of Brazil, Russia and India. We are very pleased to report the recent submission of our 510k premarket notification to the FDA for VersaVIT? and anticipate strong growth in fiscal year 2013 upon FDA clearance and our subsequent commercialization of this innovative, portable vitrectomy machine."

Third Quarter Results

Third quarter of fiscal 2012 sales totaled \$14.6 million, a decline of 0.7% compared to sales of \$14.7 million in the third quarter of fiscal 2011. Total sales increased 0.6% year-over-year on a constant currency basis which excludes the unfavorable impact of foreign currency translation of approximately \$191,000 in the period. Third quarter sales performance was driven by 17.0% growth in OEM sales through our marketing partners offset by an 8.8% decline in Ophthalmic sales, all of which was outside of the U.S. OEM growth, albeit strong, was nonetheless diminished by approximately \$600,000 in orders that slipped from the third quarter. OEM sales in the quarter include \$322,000 of deferred revenues compared to \$292,000 in the prior year third quarter. In addition to the unfavorable foreign currency, the weak economy in Europe coupled with increased competitive activity depressed Ophthalmic growth in the quarter.

Gross profit for the third quarter of fiscal 2012 totaled \$7.8 million, or 53.7% of sales, compared with \$8.6 million, or 58.6% of sales, in the third quarter of fiscal 2011. Third quarter gross margin included the impact of an inventory write-down of \$367,000.

Year-over-year gross margin performance was also negatively impacted by the foreign currency translation and product mix shift versus the prior year period.

Total operating expenses increased to \$6.4 million, or 44.0% of sales, in the third quarter from \$6.1 million, or 41.4% of sales, in the comparable period largely due to additional stock compensation

included in general and administrative expenses. Operating income for the third quarter of fiscal 2012 declined to \$1.4 million compared with \$2.5 million last year. Adjusted operating income for the third quarter of fiscal 2012, which excludes the impact of the aforementioned inventory write-down, was \$1.8 million representing an adjusted operating margin of 12.2% this quarter versus 17.2% for the comparable 2011 period last year. Operating income performance was negatively impacted by the higher cost of goods sold on lower than expected sales and growth in operating expense.

Income from continuing operations was \$1.0 million, or \$0.04 per diluted share, as compared to \$1.7 million, or \$0.07 per diluted share, for the same period of fiscal 2011. Reported income from continuing operations per diluted share includes approximately \$0.01 related to an inventory write-down in the period. Earnings before interest, taxes, depreciation and amortization, or EBITDA, totaled \$1.9 million in the third quarter of fiscal 2012 as compared to EBITDA of \$2.9 million in the prior year third quarter.

Refer to the tables at the end of this release for a reconciliation of GAAP net income to EBITDA, sales on a constant currency basis, GAAP operating income to adjusted operating income and GAAP EPS to adjusted non-GAAP EPS and the "Use of Non-GAAP Financial Information" section below.

Nine Months Results and Balance Sheet

Total sales for the first nine months of fiscal 2012 increased 7.8% to \$43.2 million compared with \$40.0 million in the same period last

year. Income from continuing operations for the first nine months of fiscal 2012 increased 11.1% to \$4.0 million, or \$0.16 per diluted share, versus \$3.6 million, or \$0.14 per diluted share, in the first nine months of fiscal 2011. In addition, there was a net of loss from discontinued operations of \$382,000, or \$0.02 per diluted share, related to the completion of the sale of assets from our plastic injection molding business in the nine-month fiscal 2012 period. Net income for the first nine months remained flat at \$3.6 million, or \$0.14 per diluted share.

As of April 30, 2012, the Company had approximately \$12.8 million in cash on its balance sheet and no debt compared with \$18.4 million in cash and \$1.1 million in debt at the end of fiscal 2011. The reduction in cash over this period was primarily due to a tax payment of \$6.0 million related to the Alcon supply agreement and settlement proceeds paid during the first nine months of fiscal 2012 in addition to the continued use of cash to retire debt obligations.

Conference Call Information

Synergetics USA, Inc. will host a conference call on Tuesday, June 12, 2012, at 10:30 a.m. Eastern Time to discuss third quarter and nine-month results and other recent developments, and to review its growth strategy. The toll free dial-in number to participate live on this call is (800) 588-4973, confirmation code 32444087. For callers outside the U.S., the number is (847) 230-5643. The conference call will also be available live via webcast on the investor relations

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section of the Company's website

www.synergeticsusa.com(http://www.synergeticsusa.com/). A replay will be available on the Company's website for approximately 30 days. About Synergetics USA, Inc.

Through continuous improvement and development of our people, our mission is to design, manufacture and market innovative surgical devices, capital equipment, accessories and disposables of the highest quality in order to assist and enable surgeons who perform surgery around the world to provide a better quality of life for their patients.

Synergetics USA, Inc. (the "Company") is a leading supplier of precision surgical devices. The Company's primary focus is on the disciplines of ophthalmology and neurosurgery. Our distribution channels include a combination of direct and independent sales distribution organizations and important strategic alliances with market leaders. The Company's product lines focus upon precision engineered, disposable and reusable devices, procedural kits and the delivery of various energy modalities for the performance of less invasive surgery including: (i) laser energy, (ii) ultrasonic energy, (iii) radio frequency energy for electrosurgery and lesion generation and (iv) visible light energy for illumination, and where applicable, simultaneous infusion (irrigation) of fluids into the operative field. The Company's website address is

http://www.synergeticsusa.com(http://www.synergeticsusa.com/).

Use of Non-GAAP Financial Information

In addition to results reported in accordance with GAAP, the Company provides sales on a constant currency basis, adjusted operating income and margin, EBITDA and adjusted earnings per diluted share. These adjusted amounts consist of GAAP amounts excluding inventory write-down and disposition charges to the extent occurring during the period. Sales on a constant currency basis is calculated as sales plus the foreign currency adjustment. Adjusted operating income and margin is calculated as operating income plus the book to physical loss divided by sales. EBITDA is defined as income from continuing operations before interest expense, income taxes, depreciation and amortization. Adjusted earnings per diluted share were calculated by dividing adjusted net income for diluted earnings per share by diluted weighted average shares outstanding.

The Company measures its performance primarily through its operating profit. In addition to its consolidated financial statements presented in accordance with GAAP, management uses certain non-GAAP measures, including sales on a constant currency basis, adjusted operating income and margin, EBITDA and adjusted earnings per diluted share, to measure our operating performance.

These non-GAAP measures are presented to enhance an understanding of the Company's operating results and are not intended to represent cash flow or results of operations. The use of these non-GAAP measures provides an indication of the Company's ability to service debt and measure operating performance. Management believes these non-GAAP

measures are useful in evaluating the Company's operating performance compared to other companies in its industry and beneficial to investors, potential investors and other key stakeholders, including creditors, who use this measure in their evaluation of the Company's performance.

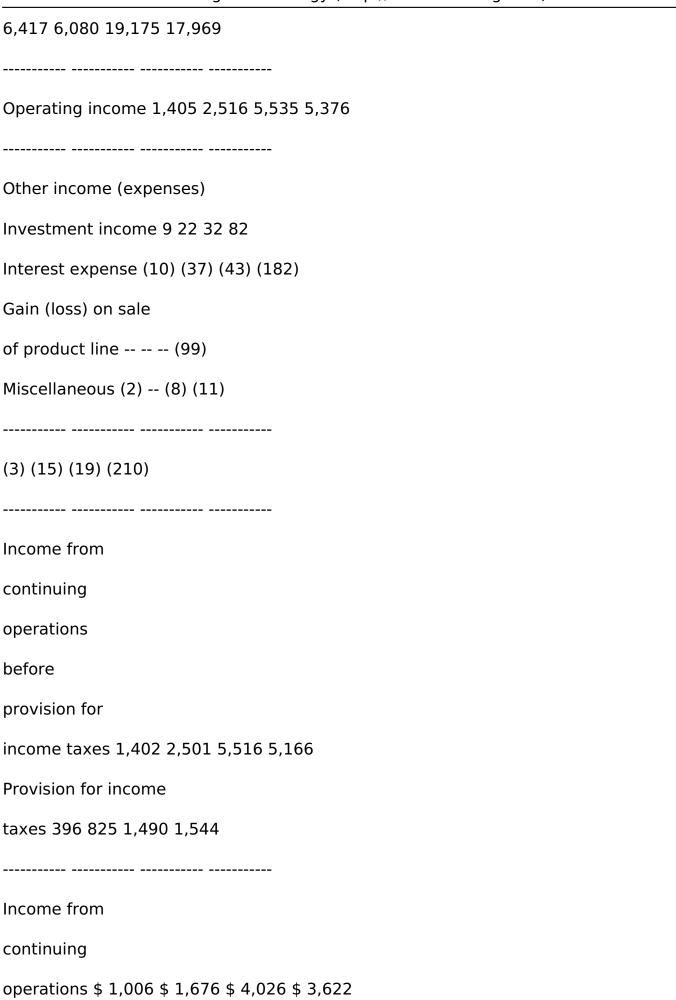
EBITDA does have certain material limitations primarily due to the exclusion of certain amounts that are material to the Company's results of operations, such as interest expense, income tax expense, depreciation and amortization. Due to these limitations, EBITDA should not be considered a measure of discretionary cash available to the Company to invest in its business and should be utilized in conjunction with other information contained in the Company's unaudited condensed consolidated financial statements prepared in accordance with GAAP.

Forward-Looking Statements

Some statements in this release may be "forward-looking statements" for the purposes of the Private Securities Litigation Reform Act of 1995. In some cases forward-looking statements can be identified by words such as "believe," "expect," "anticipate," "plan," "potential," "continue" or similar expressions. Such forward-looking statements include risks and uncertainties, and there are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors, risks and uncertainties are discussed in the Company's Annual Report on Form 10-K for the year ended July 31, 2011, as updated from time to time in

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our filings with the Securities and Exchange Commission. The Company is not responsible for updating the information contained in this press release beyond the published date, or for changes made to this document by wire services or Internet services. Synergetics USA, Inc. and Subsidiaries Condensed Consolidated Statements of Income Three and Nine Months Ended April 30, 2012, and 2011 (Dollars in thousands, except share and per share data) Three Months Ended Nine Months Ended April 30, April 30, April 30, April 30, 2012 2011 2012 2011 Net sales \$ 14,568 \$ 14,670 \$ 43,154 \$ 40,024 Cost of sales 6,746 6,074 18,444 16,679 Gross profit 7,822 8,596 24,710 23,345 -----Operating expenses Research and development 921 882 2,634 2,587 Sales and marketing 2,868 2,771 8,851 8,528 General and administrative 2,628 2,427 7,690 6,854



Published on Medical Design Technology (http://www.mdtmag.com) (Income) loss from discontinued operations, net of income tax benefit (provision) of \$193 and \$16, respectively -- 33 382 26 Net income \$ 1,006 \$ 1,643 \$ 3,644 \$ 3,596 Earnings per share: **Basic** Income from continuing operations \$ 0.04 \$ 0.07 \$ 0.16 \$ 0.14 Loss from discontinued operations \$ 0.00 \$ 0.00 \$ (0.02) \$ 0.00 -----Net income \$ 0.04 \$ 0.07 \$ 0.14 \$ 0.14 Diluted Income from

### Synergetics Reports Third Quarter of Fiscal 2012 Results Published on Medical Design Technology (http://www.mdtmag.com) continuing operations \$ 0.04 \$ 0.07 \$ 0.16 \$ 0.14 Loss from discontinued operations \$ 0.00 \$ 0.00 \$ (0.02) \$ 0.00 Net income \$ 0.04 \$ 0.07 \$ 0.14 \$ 0.14 Basic weighted average common shares outstanding 25,184,447 24,945,707 25,080,096 24,878,768 Diluted weighted average common shares outstanding 25,363,620 25,108,582 25,249,504 25,004,258 SYNERGETICS USA, INC. AND SUBSIDIARIES Unaudited Table of Net Income and EBITDA Three and Nine Months Ended April 30, 2012 and April 30, 2011 (Dollars in thousands, except per share information) Three Months Ended Nine Months Ended April 30, April 30, April 30, April 30, 2012 2011 2012 2011

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GAAP net income from continuing

operations \$ 1,006 \$ 1,676 \$ 4,026 \$ 3,622

**EBITDA Reconciliation** 

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Interest expense, net 10 37 43 182 Provision for income taxes 396 825 1,490 1,544 Depreciation expense 325 230 895 739 Amortization expense 161 147 485 490 EBITDA \$ 1,898 \$ 2,915 \$ 6,939 \$ 6,577 SYNERGETICS USA, INC. AND SUBSIDIARIES Unaudited Table of Sales - Constant Currency, Adjusted Operating Income and Non-GAAP EPS Three and Nine Months Ended April 30, 2012 and April 30, 2011 (Dollars in thousands, except per share information) Three Months Ended Nine Months Ended April 30, April 30, April 30, April 30, 2012 2011 2012 2011 -----Sales -- Constant Currency basis GAAP Sales \$ 14,568 \$ 14,670 \$ 43,154 \$ 40,024 Foreign currency adjustment 191 1 (246) 3 ...... Sales - Constant currency basis \$ 14,759 \$ 14,671 \$ 42,908 \$ 40,027

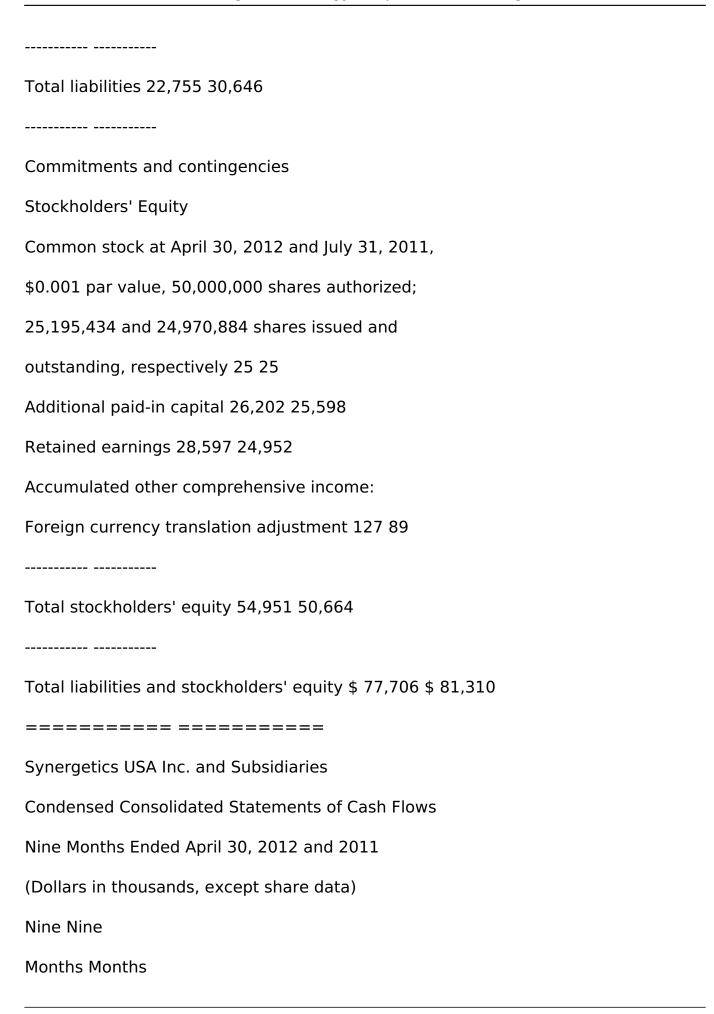
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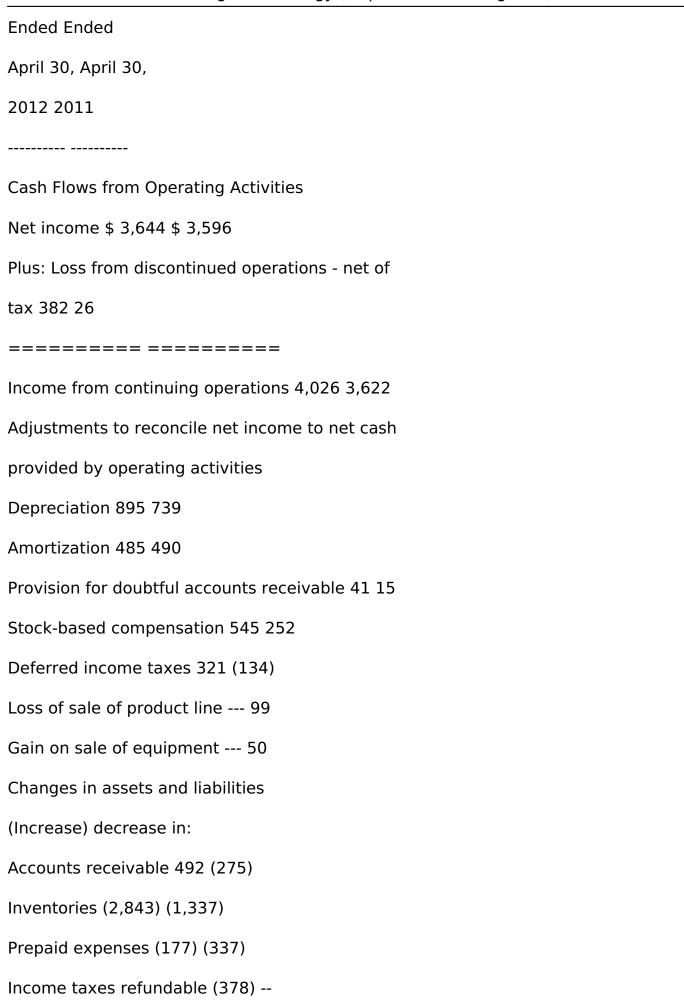
=======================================
Adjusted Operating
Income
GAAP operating income \$ 1,405 \$ 2,516 \$ 5,535 \$ 5,376
Inventory write-down 367 367
Adjusted operating
income \$ 1,772 \$ 2,516 \$ 5,902 \$ 5,376
Net sales \$ 14,568 \$ 14,670 \$ 43,154 \$ 40,024
Adjusted operating
margin 12.2% 17.2% 13.7% 13.4%
Adjusted Non-GAAP EPS
Inventory write-down \$ 367 \$ 367
Effective tax rate 28.2% 27.0
Tax effected write-
down \$ 263 \$ 268
Diluted weighted
average common
shares outstanding 25,363,620 25,108,582 25,249,504 25,004,258
Diluted earnings per
share \$ 0.01 \$ 0.01

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GAAP diluted
earnings per share \$ 0.04 \$ 0.07 \$ 0.14 \$ 0.14
Total Adjusted Non-
GAAP EPS \$ 0.05 \$ 0.07 \$ 0.15 \$ 0.14
=======================================
Synergetics USA, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
As of April 30, 2012 (Unaudited) and July 31, 2011
(Dollars in thousands, except share data)
April 30, July 31,
2012 2011
Assets
Current Assets
Cash and cash equivalents \$ 12,838 \$ 18,399
Accounts receivable, net of allowance for doubtful
accounts of \$272 and \$282, respectively 10,593 11,148
Inventories 14,878 12,082
Income taxes refundable 378
Prepaid expenses 1,117 961
Deferred income taxes 1,078 792
Assets held for sale 868
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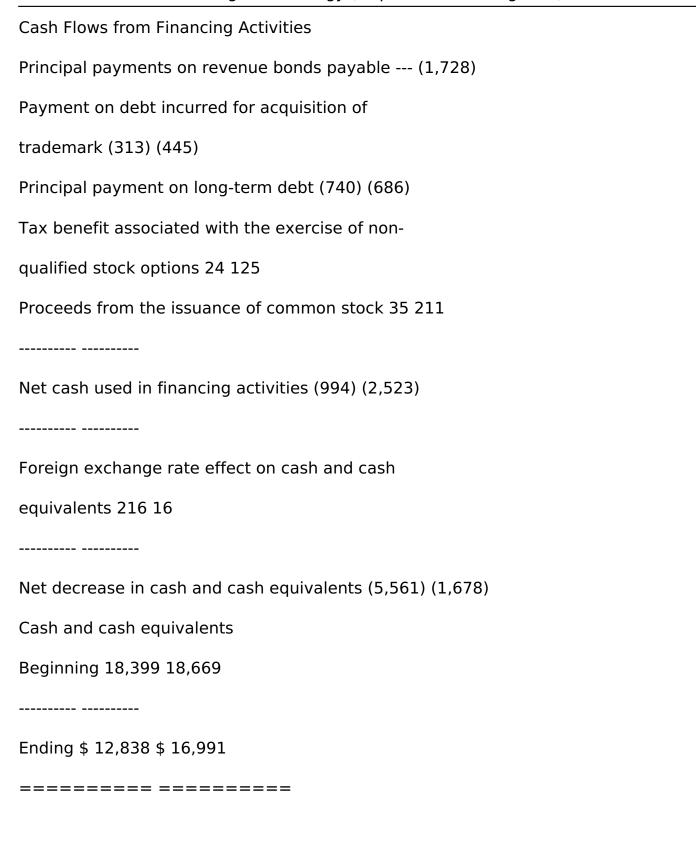




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(Decrease) increase in:
Accounts payable 1,165 (122)
Accrued expenses (415) (458)
Deferred revenue (1,173) 32
Income taxes payable (6,039) 29
Net cash (used in) provided by continuing
operating activities (3,055) 2,665
Net cash used in discontinued operations 59 (91)
Net cash (used in) provided by operating
activities (2,996) 2,574
Cash Flows from Investing Activities
Proceeds from sale of equipment 11
Purchase of property and equipment (1,586) (1,162)
Acquisition of patents and other intangibles (201) (231)
Net cash used in continuing investing
activities (1,787) (1,382)
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Net cash used in discontinued operations (363)
Net cash used in investing activities (1,787) (1,745)
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