

NUTRI SYSTEM INC /DE/
Form 10-Q
November 02, 2015
UNITED STATES

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 September 30, 2015

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 0-28551

Nutrisystem, Inc.

(Exact name of Registrant as specified in its charter)

Delaware 23-3012204
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Fort Washington Executive Center
600 Office Center Drive
Fort Washington, Pennsylvania 19034
(Address of principal executive offices) (Zip code)

(215) 706-5300

(Registrant's telephone number, including area code)

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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

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.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of October 22, 2015:

Common Stock, \$.001 par value 29,178,246 shares

NUTRISYSTEM, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

Page

PART I – FINANCIAL
INFORMATION

Item 1 – Financial
Statements (unaudited)

Consolidated
Balance Sheets 3

Consolidated
Statements of
Operations 4

Consolidated
Statements of
Comprehensive
Income 5

Consolidated
Statement of
Stockholders’
Equity 6

Consolidated
Statements of
Cash Flows 7

Notes to
Consolidated
Financial
Statements. 8

Item 2 – Management’s
Discussion and
Analysis of Financial
Condition and Results
of Operations 15

Item 3 – Quantitative 21
and Qualitative
Disclosures About

<u>Market Risk</u>	
<u>Item 4 – Controls and Procedures</u>	21
<u>PART II – OTHER INFORMATION</u>	22
<u>Item 1 – Legal Proceedings</u>	22
<u>Item 1A – Risk Factors</u>	22
<u>Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
<u>Item 3 – Defaults Upon Senior Securities</u>	22
<u>Item 4 – Mine Safety Disclosures</u>	22
<u>Item 5 – Other Information</u>	22
<u>Item 6 – Exhibits.</u>	23
<u>SIGNATURES</u>	24

NUTRISYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except par value amounts)

	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 28,049	\$ 12,620
Short term investments	19,211	16,627
Receivables	10,393	12,206
Inventories	17,474	26,899
Prepaid income taxes	2,477	0
Deferred income taxes	1,456	1,051
Other current assets	5,858	7,095
Total current assets	84,918	76,498
FIXED ASSETS, net	26,619	26,851
DEFERRED INCOME TAXES	5,043	5,461
OTHER ASSETS	1,062	1,082
Total assets	\$ 117,642	\$ 109,892
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 27,490	\$ 34,261
Accrued payroll and related benefits	6,275	6,550
Income taxes payable	0	301
Deferred revenue	5,869	4,424
Other accrued expenses and current liabilities	5,970	6,131
Total current liabilities	45,604	51,667
NON-CURRENT LIABILITIES	2,319	2,710
Total liabilities	47,923	54,377
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.001 par value (5,000 shares authorized, no shares issued and outstanding)	0	0
Common stock, \$.001 par value (100,000 shares authorized; shares issued – 29,569 at September 30, 2015 and 28,990 at December 31, 2014)	29	29
Additional paid-in capital	39,716	29,992
Treasury stock, at cost, 386 shares at September 30, 2015 and 249 shares at December 31, 2014	(5,610)	(3,062)
Retained earnings	35,537	28,552
Accumulated other comprehensive income	47	4
Total stockholders' equity	69,719	55,515
Total liabilities and stockholders' equity	\$ 117,642	\$ 109,892

The accompanying notes are an integral part of these consolidated financial statements.

3

NUTRISYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
REVENUE	\$ 104,877	\$ 90,570	\$ 372,363	\$ 323,850
COSTS AND EXPENSES:				
Cost of revenue	51,749	44,043	180,188	160,605
Marketing	25,566	22,388	103,880	90,122
General and administrative	14,228	14,769	47,536	46,455
Depreciation and amortization	2,304	2,076	6,761	5,747
Total costs and expenses	93,847	83,276	338,365	302,929
Operating income	11,030	7,294	33,998	20,921
INTEREST EXPENSE, net	61	41	140	133
Income before income tax expense	10,969	7,253	33,858	20,788
INCOME TAX EXPENSE	3,660	2,177	11,521	6,785
Net income	\$ 7,309	\$ 5,076	\$ 22,337	\$ 14,003
BASIC INCOME PER COMMON SHARE	\$ 0.25	\$ 0.18	\$ 0.77	\$ 0.49
DILUTED INCOME PER COMMON SHARE	\$ 0.25	\$ 0.17	\$ 0.76	\$ 0.48
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	28,831	28,274	28,618	28,287
Diluted	29,273	28,681	29,094	28,694
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.175	\$ 0.175	\$ 0.525	\$ 0.525

The accompanying notes are an integral part of these consolidated financial statements.

NUTRISYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, in thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net income	\$ 7,309	\$ 5,076	\$ 22,337	\$ 14,003
OTHER COMPREHENSIVE INCOME (LOSS):				
Short term investments:				
Unrealized gain (loss) on short term investments, net of income				
tax expense (benefit) of \$17, (\$11), \$22 and (\$2), respectively	34	(20)	43	(4)
Comprehensive income	\$ 7,343	\$ 5,056	\$ 22,380	\$ 13,999

The accompanying notes are an integral part of these consolidated financial statements.

NUTRISYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Unaudited, in thousands)

	Common Shares	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE, January 1, 2015	28,990	\$ 29	\$ 29,992	\$(3,062)	\$28,552	\$ 4	\$55,515
Net income	0	0	0	0	22,337	0	22,337
Share-based compensation expense	299	0	4,255	0	0	0	4,255
Exercise of stock options	280	0	2,762	0	0	0	2,762
Equity compensation awards, net	0	0	2,707	0	0	0	2,707
Cash dividends	0	0	0	0	(15,352)	0	(15,352)
Employee tax withholdings related to							
the vesting of equity awards	0	0	0	(2,548)	0	0	(2,548)
Other comprehensive income, net of tax	0	0	0	0	0	43	43
BALANCE, September 30, 2015	29,569	\$ 29	\$ 39,716	\$(5,610)	\$35,537	\$ 47	\$69,719

The accompanying notes are an integral part of these consolidated financial statements.

NUTRISYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

Nine Months Ended

September 30,
2015 2014

CASH FLOWS FROM OPERATING ACTIVITIES: