

PETMED EXPRESS INC
Form 10-Q
November 01, 2011

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, 2011

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: 000-28827

PETMED EXPRESS, INC.
(Exact name of registrant as specified in its charter)

FLORIDA
(State or other jurisdiction of
incorporation or organization)

65-0680967
(I.R.S. Employer
Identification No.)

1441 S.W. 29th Avenue, Pompano Beach, Florida 33069
(Address of principal executive offices, including zip code)

(954) 979-5995
(Registrant's telephone number, including area code)

N/A
(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 Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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 (§ 229.405 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 o

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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

(Do not check if smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 20,337,941 Common Shares, \$.001 par value per share at November 1, 2011.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PETMED EXPRESS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2011 (Unaudited)	March 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,138	\$49,660
Short term investments - available for sale	10,266	10,116
Accounts receivable, less allowance for doubtful accounts of \$4 and \$6, respectively	1,433	1,985
Inventories - finished goods	19,114	25,140
Prepaid expenses and other current assets	1,959	1,036
Deferred tax assets	914	1,003
Prepaid income taxes	690	664
Total current assets	81,514	89,604
Long term investments	2,689	12,390
Property and equipment, net	2,910	3,433
Intangible asset	860	860
Total assets	\$ 87,973	\$ 106,287
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,409	\$6,452
Accrued expenses and other current liabilities	2,286	2,509
Total current liabilities	8,695	8,961
Deferred tax liabilities	346	321
Total liabilities	9,041	9,282
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.001 par value, 5,000 shares authorized; 3 convertible shares issued and outstanding with a liquidation preference of \$4 per share	9	9
Common stock, \$.001 par value, 40,000 shares authorized; 20,556 and 22,331 shares issued and outstanding, respectively	21	22
Retained earnings	79,825	97,115
Less: treasury stock, at cost; 100 and 0 shares, respectively	(924)	-

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Accumulated other comprehensive gain (loss)	1	(141)
Total shareholders' equity	78,932	97,005
Total liabilities and shareholders' equity	\$ 87,973	\$ 106,287

See accompanying notes to condensed consolidated financial statements.

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PETMED EXPRESS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except for per share amounts) (Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Sales	\$58,225	\$61,245	\$131,803	\$135,614
Cost of sales	38,291	38,915	87,759	86,058
Gross profit	19,934	22,330	44,044	49,556
Operating expenses:				
General and administrative	5,604	5,713	11,708	11,921
Advertising	7,904	8,575	18,004	17,415
Depreciation	346	315	687	665
Total operating expenses	13,854	14,603	30,399	30,001
Income from operations	6,080	7,727	13,645	19,555
Other income:				
Interest income, net	72	101	158	167
Other, net	64	30	63	33
Total other income	136	131	221	200
Income before provision for income taxes	6,216	7,858	13,866	19,755
Provision for income taxes	2,286	2,881	5,099	7,552
Net income	\$3,930	\$4,977	\$8,767	\$12,203
Net income per common share:				
Basic	\$0.19	\$0.22	\$0.41	\$0.54
Diluted	\$0.19	\$0.22	\$0.41	\$0.54
Weighted average number of common shares outstanding:				
Basic	20,642	22,616	21,142	22,668
Diluted	20,710	22,741	21,238	22,804
Cash dividends declared per common share	\$0.125	\$0.125	\$0.250	\$0.225

See accompanying notes to condensed consolidated financial statements.

PETMED EXPRESS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)(Unaudited)

	Six Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$8,767	\$12,203
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	687	665
Share based compensation	1,127	1,044
Deferred income taxes	114	511
Bad debt expense	25	20
(Increase) decrease in operating assets and increase (decrease) in liabilities:		
Accounts receivable	527	625
Inventories - finished goods	6,026	14,328
Prepaid income taxes	(26)	(1,391)
Prepaid expenses and other current assets	(923)	(1,049)
Accounts payable	86	(287)
Accrued expenses and other current liabilities	(215)	9
Net cash provided by operating activities	16,195	26,678
Cash flows from investing activities:		
Net change in investments	9,693	(10,054)
Purchases of property and equipment	(293)	(303)
Net cash provided by (used in) investing activities	9,400	(10,357)
Cash flows from financing activities:		
Dividends paid	(5,404)	(5,121)
Purchases of treasury stock	(22,642)	(4,213)
Tax adjustment related to restricted stock	(71)	-
Proceeds from the exercise of stock options	-	252
Tax benefit related to stock options exercised	-	124
Net cash used in financing activities	(28,117)	(8,958)
Net (decrease) increase in cash and cash equivalents	(2,522)	7,363
Cash and cash equivalents, at beginning of period	49,660	53,143
Cash and cash equivalents, at end of period	\$47,138	\$60,506
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$5,083	\$8,308
Property and equipment purchases in accounts payable	\$-	\$259
Dividends payable in accrued expenses	\$135	\$90

See accompanying notes to condensed consolidated financial statements.

PETMED EXPRESS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Summary of Significant Accounting Policies

Organization

PetMed Express, Inc. and subsidiaries, d/b/a 1-800-PetMeds (the “Company”), is a leading nationwide pet pharmacy. The Company markets prescription and non-prescription pet medications, health products, and pet supplies for dogs and cats direct to the consumer. The Company offers consumers an attractive alternative for obtaining pet medications in terms of convenience, price, and speed of delivery. The Company markets its products through national television, online, and direct mail/print advertising campaigns, which aim to increase the recognition of the “1-800-PetMeds” brand name, and “PetMeds” family of trademarks, increase traffic on its website at www.1800petmeds.com, acquire new customers, and maximize repeat purchases. The majority of the Company’s sales are to residents in the United States. The Company’s executive offices are located in Pompano Beach, Florida. The Company’s fiscal year end is March 31, and references herein to Fiscal 2012 or 2011 refer to the Company’s fiscal years ending March 31, 2012 and 2011, respectively.

Basis of Presentation and Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the accompanying Condensed Consolidated Financial Statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of the Company at September 30, 2011, the Statements of Income for the three and six months ended September 30, 2011 and 2010, and Cash Flows for the six months ended September 30, 2011 and 2010. The results of operations for the three and six months ended September 30, 2011 are not necessarily indicative of the operating results expected for the fiscal year ending March 31, 2012. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company’s annual report on Form 10-K for the fiscal year ended March 31, 2011. The Condensed Consolidated Financial Statements include the accounts of PetMed Express, Inc. and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated upon consolidation.