DAXOR CORP
Form 10-Q
August 07, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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# FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the
Securities Act of 1934

FOR QUARTER ENDED JUNE 30, 2002
Commission File Number 0-12248

DAXOR CORPORATION
(Exact Name as Specified in its Charter)

| | |
|---|---|
| New York | 13-2682108 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

350 Fifth Ave
Suite 7120
New York, New York 10118
(Address of Principal Executive Offices & Zip Code)

Registrant's Telephone Number: (212) 244-0555
(Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| CLASS | OUTSTANDING AT JUNE 30,2002 |
|---|---|
| COMMON STOCK PAR VALUE: $.01 per share | 4,664,909 |

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS PAGE

DAXOR CORPORATION
FINANCIAL STATEMENTS

DAXOR CORPORATION
CONSOLIDATED BALANCE SHEETS

| | June 30, 2002 | December 31, 2001 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | $ 387,535 | $ 431,949 |
| Marketable Securities at Fair Value June 30,2002 and December 31, 2001. (Notes 1 and 2) | 42,319,877 | 42,271,902 |
| Accounts receivable | 138,663 | 174,242 |
| Other current assets | 305,090 | 312,310 |
| Total Current Assets | 43,151,165 | 43,190,403 |
| EQUIPMENT AND IMPROVEMENTS | | |
| Storage tanks | 125,815 | 125,815 |
| Leasehold improvements, furniture and equipment | 869,358 | 837,807 |
| Laboratory equipment | 290,104 | 288,087 |
| | 1,285,277 | 1,251,709 |
| Less: Accumulated depreciation and amortization | 1,002,587 | 975,593 |
| Net equipment and improvements | 282,690 | 276,116 |
| Other Assets | 72,467 | 73,634 |
| Total Assets | $ 43,506,322 | $ 43,540,153 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 39,109 | $ 52,855 |
| Loans payable (Notes 1 and 2) | 730,318 | 1,000,000 |
| Other Liabilities | 106,813 | 22,885 |
| Deferred Taxes (Note 1) | 7,154,147 | 7,135,446 |

| | | |
|---|---|---|
| Total Liabilities | 8,030,387 | 8,211,186 |
| SHAREHOLDERS' EQUITY | | |
| Common stock, par value $.01 per share: Authorized 10,000,000 shares: issued and outstanding shares 4,664,909 June 30, 2002 and 4,664,909 December 31, 2001 | 53,097 | 53,097 |
| Additional Paid in capital | 9,798,232 | 9,798,232 |
| Net unrealized holding gains on available-for-sale securities (Note 1) | 13,887,464 | 13,851,161 |
| Retained earnings | 16,550,672 | 16,440,007 |
| Treasury stock | (4,813,530) | (4,813,530) |
| Total Shareholders' Equity | 35,475,935 | 35,328,967 |
| Total Liabilities and Shareholders' Equity | $ 43,506,322 | $ 43,540,153 |

See accompanying notes to cosolidated financial statements

F-1

DAXOR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | THREE MONTHS ENDED JUNE 30 | | SIX MONTHS ENDED JUNE 30 | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| REVENUES: | | | | |
| Operating revenues | $ 196,441 | $ 138,917 | $ 389,504 | $ 278,994 |
| Other revenues | 9,829 | 56,990 | 21,815 | 99,324 |
| Dividend income | 452,557 | 465,246 | 908,543 | 939,165 |
| Gains (losses) on sale of securities | 94,261 | 18,435 | 95,064 | 9,731 |
| Total Revenues | 753,088 | 679,588 | 1,414,926 | 1,327,214 |
| COSTS AND EXPENSES | | | | |
| Operations of Laboratories and Cost of Production | 200,036 | 208,973 | 402,784 | 429,213 |
| Selling, General, and Administrative | 468,573 | 337,405 | 867,771 | 670,602 |
| Interest expense, net of interest income | 7,221 | 35,174 | 18,793 | 69,583 |
| Total Costs and Expenses | 675,830 | 581,552 | 1,289,348 | 1,169,398 |

| | | | | |
|---|---|---|---|---|
| Net Income (Loss) Before Income Taxes | 77,258 | 98,036 | 125,578 | 157,816 |
| Provision for income taxes | (833) | 4,323 | 14,913 | 23,592 |
| Net Income (Loss) | $ 78,091 | $ 93,713 | $ 110,665 | $ 134,224 |
| Weighted Average Number of Shares Outstanding | 4,664,909 | 4,664,909 | 4,664,909 | 4,664,909 |
| Net Income or (Loss) per Common Equivalent Share | $ 0.01 | $ 0.02 | $ 0.02 | $ 0.03 |

See accompanying notes to financial statements



DAXOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED

| | JUNE 30, 2002 | JUNE 30, 2001 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income or (loss) | $ 110,665 | $ 134,224 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation & Amortization | 28,161 | 23,038 |
| (Gain) loss on sale of investments | (95,064) | (9,731) |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 35,579 | (39,949) |
| (Increase) decrease in other current assets | 7,220 | (40,747) |
| (Increase) decrease in other assets net of amortization | -- | 1,100 |
| Increase (decrease) in accounts payable, accrued and other liabilities net of "short sales" | (13,246) | 76,620 |
| Total adjustments | (37,350) | 10,331 |
| Net cash provided by or (used in) operating activities | 73,315 | 144,555 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payment for purchase of equipment and | | |

| | | |
|---|---|---|
| improvements | (33,568) | (644) |
| Net cash provided or (used) in purchase and sale of investments | 85,965 | (330,876) |
| Net proceeds (repayments) of loans from brokers used to purchase investments | 30,318 | 210,316 |
| Proceeds from "short sales" not closed | 99,556 | 2,450 |
| Net cash provided by or (used in) investing activities | 182,271 | (118,754) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Repayment of Bank Loan | (300,000) | -- |
| Net cash provided by or (used in) financing activities | (300,000) | -- |
| Net increase (decrease) in cash and cash equivalents | (44,414) | 25,801 |
| Cash and cash equivalents at beginning of year | 431,949 | 18,439 |
| Cash and cash equivalents at end of period | $ 387,535 | $ 44,240 |

See accompanying notes to financial statements



NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTHS ENDED JUNE 31, 2002 AND 2001

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30,2002, and December 31, 2001, the results of operations for the three and six months ended June 30,2002 and 2001 and cash flows for the six months ended June 30,2002 and 2001. The consolidated financial statements include the accounts of the Company and its subsidiary. All significant inter-company transactions and balances have been eliminated in consolidation.

(1) MARKETABLE SECURITIES

Upon adoption of FASB No. 115, management has determined that the Company's portfolio is best characterized as "Available-For-Sale". This has resulted in the balance sheet carrying value of the Company's marketable securities investments, as of June 30, 2002 and December 31, 2001 being increased approximately 98.88 % and 98.60 % respectively over its historical cost. A corresponding increase in shareholders' equity has been effectuated. In accordance with the provisions of FASB No. 115, the adjustment in shareholders' equity to reflect the Company's unrealized gains has been made net of the tax effect had these gains been realized.

The following tables summarize the company's investments as of :

June 30, 2002

| Type of security | Cost | Fair Value | Unrealized Holding gains | Unrealized holding losses |
|---|---|---|---|---|
| Equity | $21,263,407 | $42,318,977 | $21,366,314 | $310,744 |
| Debt | 14,859 | 900 | -0- | 13,959 |
| Total | $21,278,266 | $42,319,877 | $21,366,314 | $324,703 |

December 31, 2001

| Type of security | Cost | Fair Value | Unrealized Holding gains | Unrealized holding losses |
|---|---|---|---|---|
| Equity | $21,270,436 | $42,271,002 | $21,182,144 | $181,578 |
| Debt | 14,859 | 900 | -0- | 13,959 |
| Total | $21,285,295 | $42,271,902 | $21,182,144 | $195,537 |

At June 30, 2002 the securities held by the Company had a market value of $42,319,877 and a cost basis of $21,278,266 resulting in a net unrealized gain of $21,041,611 or 98.88 % of cost.

At December 31, 2001, the securities held by the Company had a market value of $42,271,902 and a cost basis of $21,285,295 resulting in a net unrealized gain of $20,986,607 or 98.60% of cost.

At June 30, 2002 and December 31, 2001 marketable securities, primarily consisting of preferred and common stocks of utility companies, are valued at fair value.



(2) LOANS PAYABLE

As at June 30, 2002 and December 31, 2001, the Company had loans outstanding aggregating $700,000 borrowed on a short term basis from a bank, which are secured by certain marketable securities of the Company. The loans bear interest at approximately 5.7%.

Short term margin debt due to brokers, secured by the Companies marketable securities, totaled $30,318 at June 30, 2002 and $-0- at December 31, 2001.



Part II OTHER INFORMATION

Item 1.
Legal Proceedings

None

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

ITEM 2.

RESULTS OF OPERATIONS

Three months ended June 30, 2002 as compared with three months ended June 30, 2001.

For the three months ended June 30, 2002 total revenues were $753,088, up from $679,588 in 2001. Operating revenues were $196,441 in 2002 up from $138,917 in 2001. Dividend income was $452,557 with a net interest expense of $7,221 in 2002, as compared to dividend income of $465,246 with a net interest expense of $35,174 in 2001. In 2002, the Company had a net income before income taxes of $77,258 versus a net income before income taxes of $98,036 in 2001. The Company anticipates that it's sales of BVA-100 Blood Volume Analyzers and kits will become the major source of income for the Company. The Company is currently in the process of expanding its sales and marketing force. The Company has engaged a search firm for a National Sales and Marketing Director.

Six months ended June 30, 2002 as compared with six months ended June 30, 2001.

For the six months ended June 30,2002, total revenues were $1,414,926 up from $1,327,214 in 2001. Operating revenues were $389,504 up from $278,994 in 2001. Selling and administrative expenses were $867,771 in 2002, vs. $670,602 in 2001. The increased expenses were related to the employment of additional sales and marketing personnel. In 2002, Dividend income was $908,543 with a net interest expense of $18,793 as compared to the dividend income of $939,165 with a net interest expense of $69,583 in 2001. In 2002, the Company had $95,064 in capital gains vs $9,731 in 2001. In 2002, the Company had a net income of $125,578 before income taxes versus $157,816 before income taxes in 2001. The Company has adopted a policy that encourages leasing or renting of BVA-100 equipment to enable hospitals to obtain the equipment. This results in sales of kits but a slower recognition of operating income, from BVA sales.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2002 the Company had total assets of $43,506,322 and total liabilities of $8,030,387 with shareholders' equity of $35,475,935. The Company has a net pre-taxed unrealized gain of $21,041,611 and $13,887,464 of net after tax unrealized capital gains on available-for-sale securities in its portfolio. This amount is included in the calculation of Total Shareholders' Equity. The Company's stock portfolio had a market value of $42,319,877 with short-term loans of $730,318 with 4,664,909 shares outstanding. The Company has the current liabilities of $8,030,387. Included in these liabilities are deferred taxes of $7,154,147. These deferred taxes would occur if the Company chose to sell it's entire portfolio. Current liabilities minus these deferred taxes equals $876,240.

The Company has adequate resources for the current marketing level of its Blood Volume Analyzer as well as capital to sustain its localized semen and blood banking services. The Company is reviewing various options to establish a national sales force as well as utilizing independent local dealer distribution networks for marketing the Blood Volume Analyzer. The Company has an instrument loaner reagent plan which requires use of the Company's reserves. Under a sale or a lease plan, the Company receives income immediately on its equipment. The equipment loaner reagent plan permits a user to make a minimal initial capital commitment. This results in a slower return on capital expenditure for the

Company. The Company is currently leasing its equipment directly. If the leasing program becomes more widely accepted, then the Company will attempt to arrange for leases through independent leasing companies, to whom it will sell the BVA-100. The Company is evaluating blood volume instrumentation management programs for hospitals. Under such a plan, the Company would provide equipment and personnel on a sub-contract basis. The Company will use its current financial reserves primarily for developing and marketing the Blood Volume Analyzer. The Company is evaluating various options to expand blood banking services in conjunction with the use of the Blood Volume Analyzer.

The Company did not file any reports on form 8-K.