ANGIODYNAMICS INC
Form 10-Q
April 02, 2019

P30Dfalse--05-31Q320190001275187falseLarge Accelerated FilerANGIODYNAMICS INCfalseANGO246600021280001.000.050.660.040.950.900.010.0175000000750000003759449337955894372244933758589
0001275187 2018-06-01 2019-02-28 0001275187 2019-03-29 0001275187 2017-06-01 2018-02-28 0001275187 2018-12-01 2019-02-28 0001275187 2017-12-01 2018-02-28 0001275187 2018-05-31 0001275187 2019-02-28 0001275187 2018-08-31 0001275187 2018-02-28 0001275187 2017-05-31 0001275187 us-gaap:RetainedEarningsMember 2018-12-01 2019-02-28 0001275187 us-gaap:PerformanceSharesMember us-gaap:CommonStockMember 2018-09-01 2018-11-30 0001275187 us-gaap:CommonStockMember 2018-06-01 2018-08-31 0001275187 us-gaap:CommonStockMember 2018-08-31 0001275187 us-gaap:RetainedEarningsMember 2018-09-01 2018-11-30 0001275187 2018-06-01 2018-08-31 0001275187 us-gaap:CommonStockMember 2018-12-01 2019-02-28 0001275187 us-gaap:AdditionalPaidInCapitalMember 2018-09-01 2018-11-30 0001275187 us-gaap:AdditionalPaidInCapitalMember 2018-12-01 2019-02-28 0001275187 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-11-30 0001275187 us-gaap:CommonStockMember 2019-02-28 0001275187 us-gaap:AdditionalPaidInCapitalMember 2019-02-28 0001275187 us-gaap:AdditionalPaidInCapitalMember 2018-06-01 2018-08-31 0001275187 2018-09-01 2018-11-30 0001275187 us-gaap:CommonStockMember 2018-11-30 0001275187 us-gaap:CommonStockMember 2018-05-31 0001275187 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-09-01 2018-11-30 0001275187 us-gaap:CommonStockMember 2018-09-01 2018-11-30 0001275187 us-gaap:RestrictedStockUnitsRSUMember us-gaap:AdditionalPaidInCapitalMember 2018-06-01 2018-08-31 0001275187 us-gaap:RestrictedStockUnitsRSUMember us-gaap:CommonStockMember 2018-06-01 2018-08-31 0001275187 us-gaap:TreasuryStockMember 2018-11-30 0001275187 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-02-28 0001275187 us-gaap:TreasuryStockMember 2019-02-28 0001275187 us-gaap:TreasuryStockMember 2018-05-31 0001275187 us-gaap:TreasuryStockMember 2018-08-31 0001275187 us-gaap:RestrictedStockUnitsRSUMember 2018-12-01 2019-02-28 0001275187 us-gaap:RestrictedStockUnitsRSUMember us-gaap:CommonStockMember 2018-12-01 2019-02-28 0001275187 us-gaap:RetainedEarningsMember 2018-05-31 0001275187 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-05-31 0001275187 us-gaap:AdditionalPaidInCapitalMember 2018-11-30 0001275187 us-gaap:RetainedEarningsMember 2018-08-31 0001275187 us-gaap:PerformanceSharesMember 2018-06-01 2018-08-31 0001275187 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-08-31 0001275187 us-gaap:PerformanceSharesMember 2018-09-01 2018-11-30 0001275187 us-gaap:RestrictedStockUnitsRSUMember 2018-06-01 2018-08-31 0001275187 us-gaap:PerformanceSharesMember us-gaap:CommonStockMember 2018-06-01 2018-08-31 0001275187 us-gaap:AdditionalPaidInCapitalMember 2018-05-31 0001275187 us-gaap:RetainedEarningsMember 2019-02-28 0001275187 us-gaap:RetainedEarningsMember 2018-11-30 0001275187 us-gaap:RestrictedStockUnitsRSUMember us-gaap:AdditionalPaidInCapitalMember 2018-12-01 2019-02-28 0001275187 us-gaap:AdditionalPaidInCapitalMember 2018-08-31 0001275187 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-06-01 2018-08-31 0001275187 us-gaap:RetainedEarningsMember 2018-06-01 2018-08-31 0001275187 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-01 2019-02-28 0001275187 2018-11-30 0001275187 ango:RadiaDyneMember ango:RevenueBasedPaymentMember 2018-09-21 0001275187 ango:RadiaDyneMember ango:TechnicalMilestonesMember 2018-09-21 0001275187 ango:BioSentryMember 2018-08-14 0001275187 srt:MaximumMember ango:RadiaDyneMember us-gaap:TechnologyBasedIntangibleAssetsMember 2018-09-21 2018-09-21 0001275187 ango:RadiaDyneMember 2018-06-01 2019-02-28 0001275187 ango:RadiaDyneMember 2018-09-21 0001275187 ango:RadiaDyneMember 2018-09-21 2018-09-21 0001275187 ango:BioSentryMember 2018-08-14 2018-08-14 0001275187 ango:BioSentryMember 2018-06-01 2019-02-28 0001275187 srt:MaximumMember ango:RadiaDyneMember us-gaap:TrademarksMember 2018-09-21 2018-09-21 0001275187 ango:BioSentryMember us-gaap:CustomerRelationshipsMember 2018-08-14 2018-08-14 0001275187 ango:RadiaDyneMember us-gaap:CustomerRelationshipsMember 2018-09-21 2018-09-21 0001275187 ango:BioSentryMember

us-gaap:CustomerRelationshipsMember 2018-11-30 0001275187 ango:BioSentryMember
us-gaap:TechnologyBasedIntangibleAssetsMember 2018-08-15 2018-11-30 0001275187 ango:BioSentryMember
us-gaap:TrademarksMember 2018-08-14 0001275187 ango:BioSentryMember 2018-11-30 0001275187
ango:BioSentryMember 2018-08-15 2018-11-30 0001275187 ango:BioSentryMember
us-gaap:TechnologyBasedIntangibleAssetsMember 2018-08-14 0001275187 ango:BioSentryMember
us-gaap:CustomerRelationshipsMember 2018-08-15 2018-11-30 0001275187 ango:BioSentryMember
us-gaap:CustomerRelationshipsMember 2018-08-14 0001275187 ango:BioSentryMember
us-gaap:TrademarksMember 2018-08-15 2018-11-30 0001275187 ango:BioSentryMember
us-gaap:TechnologyBasedIntangibleAssetsMember 2018-11-30 0001275187 ango:BioSentryMember
us-gaap:TrademarksMember 2018-11-30 0001275187 ango:RadiaDyneMember
ango:RadiaDyneTechnologyBasedIntangibleAssetsMember 2018-11-30 0001275187 ango:RadiaDyneMember
ango:RadiaDyneTrademarkMember 2018-09-21 0001275187 ango:RadiaDyneMember 2018-11-30 0001275187
ango:RadiaDyneMember ango:OarTracTrademarkMember 2018-09-21 0001275187 ango:RadiaDyneMember
ango:RadiaDyneTechnologyBasedIntangibleAssetsMember 2018-09-21 0001275187 ango:RadiaDyneMember
ango:OarTracTrademarkMember 2018-11-30 0001275187 ango:RadiaDyneMember 2018-09-21 2018-11-30
0001275187 ango:RadiaDyneMember ango:RadiaDyneTechnologyBasedIntangibleAssetsMember 2018-09-21
2018-11-30 0001275187 ango:RadiaDyneMember us-gaap:CustomerRelationshipsMember 2018-11-30 0001275187
ango:RadiaDyneMember ango:RadiaDyneTrademarkMember 2018-11-30 0001275187 ango:RadiaDyneMember
us-gaap:CustomerRelationshipsMember 2018-09-21 2018-11-30 0001275187 ango:RadiaDyneMember
ango:OarTracTechnologyBasedIntangibleAssetsMember 2018-09-21 0001275187 ango:RadiaDyneMember
ango:OarTracTechnologyBasedIntangibleAssetsMember 2018-09-21 2018-11-30 0001275187
ango:RadiaDyneMember ango:OarTracTechnologyBasedIntangibleAssetsMember 2018-11-30 0001275187
ango:RadiaDyneMember ango:OarTracTrademarkMember 2018-09-21 2018-11-30 0001275187
ango:RadiaDyneMember ango:RadiaDyneTrademarkMember 2018-09-21 2018-11-30 0001275187
ango:RadiaDyneMember us-gaap:CustomerRelationshipsMember 2018-09-21 0001275187 srt:MinimumMember
ango:RadiaDyneMember us-gaap:TrademarksMember 2018-09-21 2018-09-21 0001275187 srt:MinimumMember
ango:RadiaDyneMember us-gaap:TechnologyBasedIntangibleAssetsMember 2018-09-21 2018-09-21 0001275187
ango:BioSentryMember us-gaap:TrademarksMember 2018-08-14 2018-08-14 0001275187 srt:MaximumMember
2018-06-01 2019-02-28 0001275187 ango:VascularInterventionsandTherapiesMember country:US 2018-06-01
2019-02-28 0001275187 ango:VascularAccessMember 2018-06-01 2019-02-28 0001275187
ango:VascularAccessMember country:US 2018-06-01 2019-02-28 0001275187 us-gaap:NonUsMember 2018-06-01
2019-02-28 0001275187 country:US 2018-06-01 2019-02-28 0001275187 ango:OncologyMember 2018-06-01
2019-02-28 0001275187 ango:VascularAccessMember us-gaap:NonUsMember 2018-06-01 2019-02-28 0001275187
ango:VascularInterventionsandTherapiesMember 2018-06-01 2019-02-28 0001275187 ango:OncologyMember
us-gaap:NonUsMember 2018-06-01 2019-02-28 0001275187 ango:OncologyMember country:US 2018-06-01
2019-02-28 0001275187 ango:VascularInterventionsandTherapiesMember us-gaap:NonUsMember 2018-06-01
2019-02-28 0001275187 ango:OncologyMember us-gaap:NonUsMember 2018-12-01 2019-02-28 0001275187
ango:OncologyMember country:US 2018-12-01 2019-02-28 0001275187
ango:VascularInterventionsandTherapiesMember country:US 2018-12-01 2019-02-28 0001275187
ango:VascularAccessMember us-gaap:NonUsMember 2018-12-01 2019-02-28 0001275187
ango:VascularInterventionsandTherapiesMember 2018-12-01 2019-02-28 0001275187 ango:VascularAccessMember
country:US 2018-12-01 2019-02-28 0001275187 ango:VascularInterventionsandTherapiesMember
us-gaap:NonUsMember 2018-12-01 2019-02-28 0001275187 ango:OncologyMember 2018-12-01 2019-02-28
0001275187 country:US 2018-12-01 2019-02-28 0001275187 ango:VascularAccessMember 2018-12-01 2019-02-28
0001275187 us-gaap:NonUsMember 2018-12-01 2019-02-28 0001275187 srt:MinimumMember 2018-06-01
2019-02-28 0001275187 ango:AcculisInventoryMember 2018-08-31 0001275187 ango:AcculisInventoryMember
2019-02-28 0001275187 us-gaap:CustomerRelationshipsMember 2018-05-31 0001275187
ango:DistributorRelationshipsMember 2018-05-31 0001275187 us-gaap:TrademarksMember 2018-05-31
0001275187 us-gaap:LicenseAgreementTermsMember 2018-05-31 0001275187 ango:ProductTechnologiesMember
2018-05-31 0001275187 2017-12-31 2017-12-31 0001275187 srt:MaximumMember 2016-06-01 2017-05-31
0001275187 ango:ProductTechnologiesMember 2019-02-28 0001275187 us-gaap:TrademarksMember 2019-02-28

0001275187 ango:DistributorRelationshipsMember 2019-02-28 0001275187 us-gaap:CustomerRelationshipsMember 2019-02-28 0001275187 us-gaap:LicenseAgreementTermsMember 2019-02-28 0001275187 us-gaap:SecuredDebtMember us-gaap:LineOfCreditMember 2019-02-28 0001275187 us-gaap:RevolvingCreditFacilityMember us-gaap:LineOfCreditMember 2019-02-28 0001275187 us-gaap:RevolvingCreditFacilityMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2016-11-07 2016-11-07 0001275187 us-gaap:RevolvingCreditFacilityMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2016-11-07 0001275187 us-gaap:RevolvingCreditFacilityMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2019-01-01 2019-01-31 0001275187 ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2019-02-28 0001275187 us-gaap:RevolvingCreditFacilityMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2018-09-01 2018-09-30 0001275187 ango:FormerCreditAgreementMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2016-11-07 2016-11-07 0001275187 us-gaap:LetterOfCreditMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2016-11-07 0001275187 us-gaap:SecuredDebtMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2016-11-07 2016-11-07 0001275187 us-gaap:SecuredDebtMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2016-11-07 0001275187 us-gaap:BridgeLoanMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2016-11-07 0001275187 us-gaap:RevolvingCreditFacilityMember ango:JPMorganChaseBankN.A.BankofAmericaN.A.KeybankNationalAssociationMember us-gaap:LineOfCreditMember 2019-02-28 0001275187 2017-12-31 0001275187 2018-03-01 2019-02-28 0001275187 ango:The2004PlanandEmployeeStockPurchasePlanMember 2019-02-28 0001275187 us-gaap:PerformanceSharesMember 2018-06-01 2019-02-28 0001275187 ango:VascularAccessMember 2017-12-01 2018-02-28 0001275187 ango:OncologyMember 2017-12-01 2018-02-28 0001275187 ango:OncologyMember 2017-06-01 2018-02-28 0001275187 ango:VascularAccessMember 2017-06-01 2018-02-28 0001275187 ango:VascularInterventionsandTherapiesMember 2017-12-01 2018-02-28 0001275187 ango:VascularInterventionsandTherapiesMember 2017-06-01 2018-02-28 0001275187 us-gaap:NonUsMember 2017-06-01 2018-02-28 0001275187 country:US 2017-12-01 2018-02-28 0001275187 country:US 2017-06-01 2018-02-28 0001275187 us-gaap:NonUsMember 2017-12-01 2018-02-28 0001275187 ango:SupplierDefaultHoldbackPaymentMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember ango:ValuationTechniqueEstimatedProbabilityMember 2019-02-28 0001275187 ango:RevenueBasedPaymentMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-02-28 0001275187 us-gaap:FairValueInputsLevel3Member ango:ContingentConsiderationEarnOutLiabilityMember us-gaap:FairValueMeasurementsRecurringMember 2019-02-28 0001275187 ango:TechnicalMilestonesMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember ango:ValuationTechniqueEstimatedProbabilityMember 2019-02-28 0001275187 srt:MaximumMember 2019-02-28 0001275187 srt:MinimumMember 2019-02-28 0001275187 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2019-02-28 0001275187 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-05-31 0001275187 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2018-05-31 0001275187 us-gaap:FairValueMeasurementsRecurringMember 2019-02-28 0001275187 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2018-05-31 0001275187 us-gaap:FairValueMeasurementsRecurringMember 2018-05-31 0001275187 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2019-02-28 0001275187 us-gaap:FairValueInputsLevel3Member

us-gaap:FairValueMeasurementsRecurringMember 2019-02-28 0001275187 srt:MaximumMember
ango:RevenueBasedPaymentMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDiscountRateMember
us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-02-28 0001275187 srt:MinimumMember
ango:RevenueBasedPaymentMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDiscountRateMember
us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-02-28 0001275187 srt:MinimumMember
ango:RevenueBasedPaymentMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember ango:MeasurementInputProbabilityofPaymentMember
us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-02-28 0001275187 srt:MaximumMember
ango:RevenueBasedPaymentMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember ango:MeasurementInputProbabilityofPaymentMember
us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-02-28 0001275187
us-gaap:USGovernmentAgenciesDebtSecuritiesMember 2019-02-28 0001275187
us-gaap:USGovernmentAgenciesDebtSecuritiesMember 2018-05-31 0001275187 ango:TheUtahActionMember
2012-01-11 2012-01-11 0001275187 ango:C.R.BardInc.Member ango:TheUtahActionMember
us-gaap:PendingLitigationMember 2016-03-30 2017-01-31 0001275187 ango:TheUtahActionMember 2016-03-24
2016-03-24 0001275187 ango:TheDelawareActionMember us-gaap:SubsequentEventMember 2019-03-07
2019-03-07 0001275187 ango:TheUtahActionMember 2016-03-11 0001275187 ango:CrBardIncMember 2012-01-11
2012-01-11 0001275187 ango:TheDelawareActionMember 2015-06-01 2015-06-01 0001275187
ango:TheUtahActionMember 2016-03-11 2016-03-11 0001275187 ango:ConstructionIssuesMember 2019-02-28
0001275187 ango:TheUtahActionMember 2016-03-24 0001275187 2018-07-01 2018-07-31 0001275187
ango:TheUtahActionMember 2016-03-29 2016-03-29 0001275187 2017-11-30 0001275187 ango:CrBardIncMember
2018-06-01 2019-02-28 0001275187 us-gaap:RestructuringChargesMember 2018-12-01 2019-02-28 0001275187
ango:LegalCostsMember 2017-06-01 2018-02-28 0001275187 us-gaap:RestructuringChargesMember 2017-12-01
2018-02-28 0001275187 ango:MergersandAcquisitionsMember 2018-12-01 2019-02-28 0001275187
ango:LegalCostsMember 2018-06-01 2019-02-28 0001275187 ango:LegalCostsMember 2018-12-01 2019-02-28
0001275187 us-gaap:OtherExpenseMember 2018-06-01 2019-02-28 0001275187 us-gaap:OtherExpenseMember
2017-12-01 2018-02-28 0001275187 ango:MergersandAcquisitionsMember 2017-12-01 2018-02-28 0001275187
us-gaap:OtherExpenseMember 2018-12-01 2019-02-28 0001275187 us-gaap:RestructuringChargesMember
2018-06-01 2019-02-28 0001275187 ango:MergersandAcquisitionsMember 2017-06-01 2018-02-28 0001275187
ango:MergersandAcquisitionsMember 2018-06-01 2019-02-28 0001275187 ango:LegalCostsMember 2017-12-01
2018-02-28 0001275187 us-gaap:RestructuringChargesMember 2017-06-01 2018-02-28 0001275187
us-gaap:OtherExpenseMember 2017-06-01 2018-02-28 0001275187 2017-02-01 2018-11-30 0001275187
ango:EquipmentTransferMember 2018-05-31 0001275187 us-gaap:ContractTerminationMember 2018-06-01
2019-02-28 0001275187 us-gaap:OneTimeTerminationBenefitsMember 2018-06-01 2019-02-28 0001275187
ango:RegulatoryFilingsMember 2019-02-28 0001275187 ango:RegulatoryFilingsMember 2018-06-01 2019-02-28
0001275187 ango:EquipmentTransferMember 2019-02-28 0001275187 ango:EquipmentTransferMember 2018-06-01
2019-02-28 0001275187 us-gaap:OneTimeTerminationBenefitsMember 2018-05-31 0001275187
us-gaap:OneTimeTerminationBenefitsMember 2019-02-28 0001275187 ango:RegulatoryFilingsMember 2018-05-31
0001275187 us-gaap:ContractTerminationMember 2019-02-28 0001275187 us-gaap:ContractTerminationMember
2018-05-31 0001275187 us-gaap:OneTimeTerminationBenefitsMember 2018-12-01 2019-02-28 0001275187
us-gaap:OneTimeTerminationBenefitsMember 2018-11-30 0001275187 us-gaap:ContractTerminationMember
2018-12-01 2019-02-28 0001275187 ango:RegulatoryFilingsMember 2018-12-01 2019-02-28 0001275187
ango:EquipmentTransferMember 2018-12-01 2019-02-28 0001275187 ango:RegulatoryFilingsMember 2018-11-30
0001275187 ango:EquipmentTransferMember 2018-11-30 0001275187 us-gaap:ContractTerminationMember
2018-11-30 0001275187 us-gaap:AccumulatedTranslationAdjustmentMember 2019-02-28 0001275187
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-05-31 0001275187
us-gaap:AccumulatedTranslationAdjustmentMember 2018-06-01 2019-02-28 0001275187
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-06-01 2019-02-28 0001275187
us-gaap:AccumulatedTranslationAdjustmentMember 2018-05-31 0001275187

us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-02-28 0001275187
us-gaap:AccumulatedTranslationAdjustmentMember 2018-12-01 2019-02-28 0001275187
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-11-30 0001275187
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-12-01 2019-02-28 0001275187
us-gaap:AccumulatedTranslationAdjustmentMember 2018-11-30 0001275187 ango:BiolitecInc.Member
us-gaap:SubsequentEventMember 2019-03-14 2019-03-14 xbrli:pure ango:segment ango:motion ango:Petition
iso4217:USD xbrli:shares iso4217:USD ango:claim ango:patent xbrli:shares ango:reexamination_appeal
ango:Investment
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2019
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 0-50761

AngioDynamics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**11-3146460**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14 Plaza Drive Latham, New York	**12110**
(Address of principal executive offices)	**(Zip Code)**

(518) 795-1400
Registrant’s telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $.01	**NASDAQ Global Select Market**
Preferred Stock Purchase Rights	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:

Table of Contents

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x 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. (Check one):

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

Emerging growth company o

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

Indicate the number of shares outstanding of each of the Issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 29, 2019
Common Stock, par value $.01	**37,215,894**

Table of Contents

AngioDynamics, Inc. and Subsidiaries
TABLE OF CONTENTS

		Page
	Part I: Financial Information	
Item 1.	**Financial Statements**	
	Consolidated Statements of Income (unaudited)	3
	Consolidated Statements of Comprehensive Income (unaudited)	4
	Consolidated Balance Sheets (unaudited)	5
	Consolidated Statements of Cash Flows (unaudited)	6
	Consolidated Statement of Stockholders' Equity (unaudited)	7
	Notes to Consolidated Financial Statements (unaudited)	9
Item 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**	28
Item 3.	**Quantitative and Qualitative Disclosures About Market Risk**	39
Item 4.	**Controls and Procedures**	40
	Part II: Other Information	
Item 1.	**Legal Proceedings**	41
Item 1A.	**Risk Factors**	43
Item 2.	**Unregistered Sales of Equity Securities and Use of Proceeds**	44
Item 3.	**Defaults on Senior Securities**	44
Item 4.	**Mine Safety Disclosures**	44
Item 5.	**Other Information**	44
Item 6.	**Exhibits**	45

Table of Contents

PART 1. FINANCIAL INFORMATION
Item 1. Financial Statements.

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands of dollars, except per share data)

	Three Months Ended		Nine Months Ended	
	Feb 28, 2019	Feb 28, 2018	Feb 28, 2019	Feb 28, 2018
Net sales	$86,341	$83,851	$263,184	$255,968
Cost of sales (exclusive of intangible amortization)	39,650	38,403	122,917	126,560
Gross profit	46,691	45,448	140,267	129,408
Operating expenses:				
Research and development	7,210	6,457	22,235	19,005
Sales and marketing	19,413	18,009	59,115	56,378
General and administrative	8,780	7,723	26,612	23,319
Amortization of intangibles	5,342	4,191	14,646	12,433
Change in fair value of contingent consideration	609	31	865	218
Acquisition, restructuring and other items, net	2,550	4,177	9,700	11,932
Total operating expenses	43,904	40,588	133,173	123,285
Operating income	2,787	4,860	7,094	6,123
Other (expenses) income:				
Interest expense, net	(1,442)	(740)	(3,689)	(2,223)
Other income (expense), net	(266)	(49)	(72)	238
Total other expenses, net	(1,708)	(789)	(3,761)	(1,985)
Income before income tax expense	1,079	4,071	3,333	4,138
Income tax expense (benefit)	283	(9,948)	866	(10,095)
Net income	$796	$14,019	$2,467	$14,233
Earnings per share				
Basic	$0.02	$0.38	$0.07	$0.38
Diluted	$0.02	$0.37	$0.06	$0.38
Weighted average shares outstanding				
Basic	37,518	37,122	37,446	37,031
Diluted	38,338	37,442	38,350	37,358

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

Table of Contents

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	Feb 28, 2019	Feb 28, 2018	Feb 28, 2019	Feb 28, 2018
Net income	$796	$14,019	$2,467	$14,233
Other comprehensive income, before tax:				
Unrealized gain on marketable securities	—	21	33	66
Foreign currency translation	173	188	(158)	621
Other comprehensive income (loss), before tax	173	209	(125)	687
Income tax expense related to items of other comprehensive income	—	—	—	—
Other comprehensive income (loss), net of tax	173	209	(125)	687
Total comprehensive income, net of tax	$969	$14,228	$2,342	$14,920

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

4

Table of Contents

AngioDynamics, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands of dollars, except share data)

	Feb 28, 2019	May 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$41,704	$74,096
Marketable securities	—	1,317
Accounts receivable, net of allowances of $2,128 and $2,466, respectively	44,208	39,401
Inventories	52,388	48,916
Prepaid expenses and other	4,440	4,302
Total current assets	142,740	168,032
Property, plant and equipment, net	41,207	42,461
Other assets	3,610	3,417
Intangible assets, net	166,564	130,310
Goodwill	423,674	361,252
Total assets	$777,795	$705,472
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$18,443	$15,775
Accrued liabilities	21,929	34,426
Current portion of long-term debt	6,250	5,000
Current portion of contingent consideration	6,673	2,100
Total current liabilities	53,295	57,301
Long-term debt, net of current portion	126,837	86,621
Contingent consideration, net of current portion	20,454	1,161
Deferred income taxes	17,834	17,173
Other long-term liabilities	5,296	621
Total liabilities	223,716	162,877
Commitments and contingencies (Note 14)		
Stockholders' equity		
Preferred stock, par value $.01 per share, 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, par value $.01 per share, 75,000,000 shares authorized; 37,955,894 and 37,594,493 shares issued and 37,585,894 and 37,224,493 shares outstanding at February 28, 2019 and May 31, 2018, respectively	372	370
Additional paid-in capital	552,902	543,762
Retained earnings	7,596	5,129
Treasury stock, 370,000 shares at February 28, 2019 and May 31, 2018, respectively	(5,714)	(5,714)
Accumulated other comprehensive loss	(1,077)	(952)
Total Stockholders’ Equity	554,079	542,595
Total Liabilities and Stockholders' Equity	$777,795	$705,472

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

Table of Contents

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands of dollars)

	Nine Months Ended	
	Feb 28, 2019	Feb 28, 2018
Cash flows from operating activities:		
Net income	$2,467	$14,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,158	17,395
Stock based compensation	7,119	5,821
Change in fair value of contingent consideration	865	218
Deferred income taxes	633	(10,150)
Change in accounts receivable allowances	(99)	(35)
Fixed and intangible asset impairments and disposals	689	30
Other	(5)	(635)
Changes in operating assets and liabilities:		
Accounts receivable	(3,853)	2,897
Inventories	(2,702)	(1,913)
Prepaid expenses and other	(1,508)	(548)
Accounts payable, accrued and other liabilities	(10,336)	(9,797)
Net cash provided by operating activities	12,428	17,516
Cash flows from investing activities:		
Additions to property, plant and equipment	(2,303)	(1,647)
Acquisition of intangibles	—	(1,265)
Cash paid for acquisitions	(84,920)	—
Proceeds from sale of marketable securities	1,350	—
Net cash used in investing activities	(85,873)	(2,912)
Cash flows from financing activities:		
Proceeds from issuance of and borrowings on long-term debt	55,000	—
Repayment of long-term debt	(13,750)	(3,750)
Payment of acquisition related contingent consideration	(2,100)	(9,500)
Proceeds from exercise of stock options and employee stock purchase plan	2,023	2,560
Net cash provided by (used) in financing activities	41,173	(10,690)
Effect of exchange rate changes on cash and cash equivalents	(120)	834
(Decrease) increase in cash and cash equivalents	(32,392)	4,748
Cash and cash equivalents at beginning of period	74,096	47,544
Cash and cash equivalents at end of period	$41,704	$52,292
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for capital expenditures incurred during the period	$(42)	$95
Fair value of contingent consideration for acquisitions	25,100	—
Fair value of acquisition consideration included in other long-term liabilities	4,691	—

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

Table of Contents

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands of dollars, except share data)

	Common Stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at May 31, 2018	37,594,493	$ 370	$ 543,762	$ 5,129	$ (952)	(370,000)	$ (5,714)	$ 542,595
Net loss				$ (469)				(469)
Exercise of stock options	71,336	1	607					608
Issuance/Cancellation of restricted stock units	149,446		(460)					(460)
Issuance/Cancellation of performance share units	5,235							—
Purchases of common stock under ESPP	40,547	1	556					557
Stock-based compensation			2,150					2,150
Other comprehensive loss, net of tax					(92)			(92)
Balance at August 31, 2018	37,861,057	$ 372	$ 546,615	$ 4,660	$ (1,044)	(370,000)	$ (5,714)	$ 544,889
Net income				2,140				2,140
Exercise of stock options	10,571		149					149
Issuance/Cancellation of restricted stock units	3,901							—
Stock-based compensation			2,591					2,591
Other comprehensive loss, net of tax					(206)			(206)
Balance at November 30, 2018	37,875,529	$ 372	$ 549,355	$ 6,800	$ (1,250)	(370,000)	$ (5,714)	$ 549,563
Net income				796				796
Exercise of stock options	40,346		603					603
Issuance/Cancellation of restricted stock units	7,703		(49)					(49)
Purchases of common stock under ESPP	32,316		615					615
Stock-based compensation			2,378					2,378
Other comprehensive income, net of tax					173			173
Balance at February 28, 2019	37,955,894	$ 372	$ 552,902	$ 7,596	$ (1,077)	(370,000)	$ (5,714)	$ 554,079

Table of Contents

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY - continued
(unaudited)
(in thousands of dollars, except share data)

	Common Stock		Additional paid in capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at May 31, 2017	37,210,091	$ 367	$ 532,705	$ (11,007)	$ (1,324)	(370,000)	$ (5,714)	$ 515,027
Net loss				(35)				(35)
Adjustment from the adoption of ASU 2016-09			199	(199)				—
Exercise of stock options	17,897		89					89
Issuance/Cancellation of restricted stock units	119,098	1						1
Purchases of common stock under ESPP	50,900		722					722
Stock-based compensation			1,797					1,797
Other comprehensive loss, net of tax					283			283
Balance at August 31, 2017	37,397,986	$ 368	$ 535,512	$ (11,241)	$ (1,041)	(370,000)	$ (5,714)	$ 517,884
Net income				249				249
Exercise of stock options	78,211	1	925					926
Issuance/Cancellation of restricted stock units	5,478							—
Stock-based compensation			1,966					1,966
Other comprehensive loss, net of tax					195			195
Balance at November 30, 2017	37,481,675	$ 369	$ 538,403	$ (10,992)	$ (846)	(370,000)	$ (5,714)	$ 521,220
Net income				14,019				14,019
Exercise of stock options	22,269		281					281
Issuance/Cancellation of restricted stock units	1,519							—
Purchases of common stock under ESPP	39,043	1	540					541
Stock-based compensation			2,058					2,058
Other comprehensive loss, net of tax					209			209
Balance at February 28, 2018	37,544,506	$ 370	$ 541,282	$ 3,027	$ (637)	(370,000)	$ (5,714)	$ 538,328

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

Table of Contents

AngioDynamics, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of February 28, 2019, the consolidated statement of stockholders' equity for the three and nine months ended February 28, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income for the three and nine months ended February 28, 2019 and 2018, and consolidated statements of cash flows for the nine months ended February 28, 2019 and 2018, have been prepared by us and are unaudited. The consolidated balance sheet as of May 31, 2018 was derived from audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to state fairly the financial position, changes in stockholders' equity and comprehensive income, results of operations and cash flows as of and for the period ended February 28, 2019 (and for all periods presented) have been made.

The unaudited interim consolidated financial statements for the three and nine months ended February 28, 2019 and 2018 include the accounts of AngioDynamics, Inc. and its wholly owned subsidiaries, collectively, the "Company". All intercompany balances and transactions have been eliminated.

2. ACQUISITIONS

RadiaDyne Acquisition

On September 21, 2018, the Company acquired RadiaDyne, a privately held medical diagnostic and device company that designs and develops patient dose monitoring technology to improve cancer treatment outcomes. The aggregate purchase price of $75.0 million included an upfront payment of $47.9 million, contingent consideration with an estimated fair value of $22.3 million, an indemnification holdback of $4.6 million and a purchase price holdback of $0.2 million. The fair value of $22.3 million in contingent consideration is comprised of $16.5 million for the revenue milestones and $5.8 million for the technical milestones. The $4.6 million indemnification holdback is recorded in other long-term liabilities and the $0.2 million purchase price holdback was initially recorded in accrued liabilities, but was paid during the third quarter of fiscal year 2019.

This acquisition expands the Company's growing Oncology business by adding RadiaDyne's early-stage, proprietary OARtrac® real-time radiation dose monitoring platform and other market-leading oncology solutions, including the IsoLoc®/ImmobiLoc® and Alatus® balloon stabilizing technologies.

The Company accounted for the RadiaDyne acquisition under the acquisition method of accounting for business combinations. Accordingly, the cost to acquire the assets was allocated to the underlying net assets in proportion to estimates of their respective fair values. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill. Goodwill is deductible for income tax purposes.

The Company has not disclosed the amount of revenue and earnings for sales of RadiaDyne products since acquisition, nor proforma information, because these amounts are not significant to the Company's financial statements. Acquisition-related costs associated with the RadiaDyne acquisition, which are included in acquisition, restructuring and other expenses, net in the accompanying consolidated statements of income, were approximately $1.6 million. The following table summarizes the preliminary and revised aggregate purchase price allocated to the net assets acquired:

Table of Contents

(in thousands)	Preliminary allocation	Adjustments (1)	Revised allocation
Accounts receivable	$900	$ —	$900
Inventory	732	—	732
Prepaid and other current assets	98	—	98
Property, plant and equipment	133	—	133
Intangible assets:			
RadiaDyne trademark	400	—	400
OARtrac trademark	200	—	200
RadiaDyne legacy product technology	1,500	—	1,500
OARtrac product technology	16,300	2,600	18,900
RadiaDyne customer relationships	3,700	600	4,300
Goodwill	51,482	(3,200)	48,282
Total assets acquired	$75,445	$ —	$75,445
Liabilities assumed			
Accounts payable	$352	$ —	$352
Accrued expenses	106	—	106
Total liabilities assumed	$458	$ —	$458
Net assets acquired	$74,987	$ —	$74,987

(1) Measurement period adjustments are recognized on a prospective basis in the period of change, instead of restating prior periods. There was no impact to reported earnings in connection with these measurement period adjustments for the periods presented. Amounts represent adjustments to the preliminary purchase price allocation first presented in the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2018 resulting from revising the Company's purchase price allocation for this acquisition.

The allocation of the purchase price to the assets acquired and liabilities assumed, including the amount allocated to goodwill, is subject to change within the measurement period (up to one year from the acquisition date) as additional information that existed at the date of the acquisition related to the values of assets acquired and liabilities assumed is obtained.

The values assigned to the RadiaDyne and OARtrac trademark and product technologies were derived using the relief-from-royalties method under the income approach. This approach is used to estimate the cost savings that accrue for the owner of an intangible asset who would otherwise have to pay royalties or licensing fees on revenues earned through the use of the asset if they had not owned the rights to use the assets. The net after-tax royalty savings are calculated for each year in the remaining economic life of the intangible asset and discounted to present value.

The trademarks are deemed to have a useful life of five to seven years and the product technologies are deemed to have a useful life of seven to ten years. Both are amortized on a straight-line basis over their useful life.

The value assigned to customer relationships was derived using the multi-period excess earnings method under the income approach. This approach estimates the excess earnings generated over the lives of the customers that existed as of the acquisition date and discounts such earnings to present value. Customer relationships are amortized on a straight-line basis over fifteen years.

The goodwill arising from the acquisition consists largely of synergies and economies of scale the Company hopes to achieve from combining the acquired assets with the Company's current operations.

BioSentry Acquisition

On August 14, 2018, the Company acquired the BioSentry product from Surgical Specialties, LLC (“SSC”), for an aggregate purchase price of $39.8 million of which $37.0 million was paid on August 14, 2018 and $2.8 million was recorded as contingent consideration. The contingent consideration liability was recorded at fair value and will be payable to SSC upon fulfillment of certain hydrogel orders.

The Company accounted for the BioSentry acquisition under the acquisition method of accounting for business combinations. Accordingly, the cost to acquire the assets was allocated to the underlying net assets in proportion to estimates of their respective fair values. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill. Goodwill is deductible for income tax purposes.

Table of Contents

The Company has not disclosed the amount of revenue and earnings for sales of BioSentry products since acquisition, nor proforma information, because these amounts are not significant to the Company's financial statements.
Acquisition-related costs associated with the BioSentry acquisition, which are included in acquisition, restructuring and other expenses, net in the accompanying consolidated statements of income, were approximately $1.0 million.
The following table summarizes the preliminary and revised aggregate purchase price allocated to the net assets acquired:

(in thousands)	Preliminary allocation	Adjustments (1)	Revised allocation
Inventory	$50	$ —	$50
Property, plant and equipment	10	—	10
Intangible assets:			
BioSentry trademark	1,700	800	2,500
BioSentry product technology	13,800	7,100	20,900
Customer relationships	2,500	(300)	2,200
Goodwill	21,740	(7,600)	14,140
Net assets acquired	$39,800	$ —	$39,800

(1) Measurement period adjustments are recognized on a prospective basis in the period of change, instead of restating prior periods. There was no impact to reported earnings in connection with these measurement period adjustments for the periods presented. Amounts represent adjustments to the preliminary purchase price allocation first presented in the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2018 resulting from revising the Company's purchase price allocation for this acquisition.

The allocation of the purchase price to the assets acquired and liabilities assumed, including the amount allocated to goodwill, is subject to change within the measurement period (up to one year from the acquisition date) as additional information that existed at the date of the acquisition related to the values of assets acquired and liabilities assumed is obtained.
The values assigned to the BioSentry trademark and product technologies were derived using the relief-from-royalties method under the income approach. This approach is used to estimate the cost savings that accrue for the owner of an intangible asset who would otherwise have to pay royalties or licensing fees on revenues earned through the use of the asset if they had not owned the rights to use the assets. The net after-tax royalty savings are calculated for each year in the remaining economic life of the intangible asset and discounted to present value. The trademark and product technologies are deemed to have a fifteen year useful life and are amortized on a straight-line basis over their useful life.
The value assigned to customer relationships was derived using the multi-period excess earnings method under the income approach. This approach estimates the excess earnings generated over the lives of the customers that existed as of the acquisition date and discounts such earnings to present value. Customer relationships are amortized on a straight-line basis over ten years.
The goodwill arising from the acquisition consists largely of synergies and economies of scale the Company hopes to achieve from combining the acquired assets with the Company's current operations.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Adoption of ASC Topic 606 "*Revenue from Contracts with Customers*"

The Company adopted ASC 606, *Revenue from Contracts with Customers* on June 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for fiscal 2019 reflect the application of ASC 606 guidance while the reported results for fiscal 2018 were prepared under the guidance of ASC 605, Revenue Recognition (“ASC 605”). For discussion of the Company’s accounting policy for revenue recognition under ASC 605, refer to Item 8 of the Annual Report on Form 10-K for the year ended May 31, 2018. The adoption of ASC 606 did not have an impact on the Company’s consolidated balance sheet, results of operations, equity or cash flows as of the adoption date or for the periods presented, other than the enhanced disclosures included in this footnote.

Revenue Recognition

Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following

five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.
The Company has one primary revenue stream which is the sales of its products.

Disaggregation of Revenue

The following tables summarize net product revenue by Global Business Unit ("GBU") and geography for the three and nine months ended February 28, 2019:

	Three months ended February 28, 2019		
(in thousands)	United States	International	Total
Net sales			
Vascular Interventions & Therapies	$41,225	$8,890	$50,115
Vascular Access	18,952	3,396	22,348
Oncology	8,154	5,724	13,878
Total	$68,331	$18,010	$86,341

	Nine months ended February 28, 2019		
(in thousands)	United States	International	Total
Net sales			
Vascular Interventions & Therapies	$126,089	$26,514	$152,603
Vascular Access	59,480	10,381	69,861
Oncology	22,329	18,391	40,720
Total	$207,898	$55,286	$263,184

Net Product Revenue

The Company's products consist of a wide range of medical, surgical and diagnostic devices used by professional healthcare providers for vascular access, for the treatment of peripheral vascular disease and for use in oncology and surgical settings. The Company's devices are generally used in minimally invasive, image-guided procedures. Most of the Company's products are intended to be used once and then discarded, or they may be temporarily implanted for short- or longer-term use. The Company sells its products to its distribution partners and to end users, such as interventional radiologists, interventional cardiologists, vascular surgeons, urologists, interventional and surgical oncologists and critical care nurses.

Contracts and Performance Obligations

The Company contracts with its customers based on customer purchase orders, which in many cases are governed by master purchasing agreements. The Company’s contracts with customers are generally for product only, and do not include other performance obligations such as services or other material rights. As part of its assessment of each contract, the Company evaluates certain factors including the customer’s ability to pay (or credit risk). For each contract, the Company considers the promise to transfer products, each of which is distinct, to be the identified performance obligations.

Transaction Price and Allocation to Performance Obligations

Transaction prices of products are typically based on contracted rates. Product revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products to a customer. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing the expected value method. As such, revenue is recorded net of rebates, returns and other deductions.
If a contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price based on the estimated relative standalone selling prices of the promised products underlying each performance obligation. The Company has standard pricing for its products and determines standalone selling prices based on the price at which the performance obligation is sold separately.

Table of Contents

Revenue Recognition

Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which occurs at a point in time, and may be upon shipment from the Company's manufacturing site or delivery to the customer's named location, based on the contractual shipping terms of a contract. In determining whether control has transferred, the Company considers if there is a present right to payment from the customer and when physical possession, legal title and risks and rewards of ownership have transferred to the customer.

The Company typically invoices customers upon satisfaction of identified performance obligations. As the Company's standard payment terms are 30 to 90 days from invoicing, the Company does not provide any significant financing to its customers.

Sales, value add, and other taxes collected on behalf of third parties are excluded from revenue.

Variable Consideration

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established for discounts, returns, rebates and allowances that are offered within contracts between the Company and its customers. These reserves are based on the amounts earned or to be claimed on the related sales and are classified as a current liability.

Rebates and Allowances: The Company provides certain customers with rebates and allowances that are explicitly stated in the Company's contracts and are recorded as a reduction of revenue in the period the related product revenue is recognized. The Company establishes a liability for such amounts, which is included in accrued expenses in the accompanying condensed consolidated balance sheets. These rebates and allowances result from performance-based offers that are primarily based on attaining contractually specified sales volumes and administrative fees the Company is required to pay to group purchasing organizations.

Product Returns: The Company generally offers customers a limited right of return. Product returns after 30 days must be pre-approved by the Company and customers may be subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and have at least twelve months remaining prior to its expiration date. The Company estimates the amount of its product sales that may be returned by its customers and records this estimate as a reduction of revenue in the period the related product revenue is recognized. The Company currently estimates product return liabilities using its historical product return information and considers other factors that it believes could significantly impact its expected returns, including product recalls. During the nine months ended February 28, 2019, such product returns were not material.

Contract Balances with Customers

A receivable is recognized in the period the Company ships the product. Payment terms on invoiced amounts are based on contractual terms with each customer and generally coincide with revenue recognition. Accordingly, the Company does not have any contract assets associated with the future right to invoice its customers. In some cases, if control of the product has not yet transferred to the customer or the timing of the payments made by the customer precedes the Company's fulfillment of the performance obligation, the Company recognizes a contract liability that is included in deferred revenue in the accompanying condensed consolidated balance sheets.

The following table presents changes in the Company's receivables, contract assets and contract liabilities with customers:

(in thousands)	Feb 28, 2019	May 31, 2018
Receivables	$44,208	$39,401
Contract assets	$—	$—
Contract liabilities	$1,047	$1,203

During the nine months ended February 28, 2019, the Company recognized $0.7 million in revenue that was included in contract liabilities as of the beginning of the period. This was offset by additions to contract liabilities of $0.6 million.

13

Table of Contents

Costs to Obtain or Fulfill a Customer Contract

Prior to the adoption of ASC 606, the Company expensed incremental commissions paid to sales representatives for obtaining product sales. Under ASC 606, the Company recognizes an asset for incremental costs of obtaining a contract with a customer if it expects to recover those costs. The Company's sales incentive compensation plans qualify for capitalization since these plans are directly related to sales achieved during a period of time. However, the Company has elected the practical expedient under ASC 340-40-25-4 to expense the costs as they are incurred within selling and marketing expenses since the amortization period is less than one year.

The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products. Shipping and handling costs, associated with the distribution of finished products to customers, are recorded in costs of goods sold and are recognized when the related finished product is shipped to the customer. Amounts charged to customers for shipping are recorded in net sales.

4. INVENTORIES

Inventories are stated at lower of cost and net realizable value (using the first-in, first-out method). Inventories consisted of the following:

(in thousands)	Feb 28, 2019	May 31, 2018
Raw materials	$19,852	$18,678
Work in process	11,210	10,808
Finished goods	21,326	19,430
Inventories	$52,388	$48,916

The Company periodically reviews for both obsolescence and loss of value. The Company makes assumptions about the future demand for and market value of the inventory. Based on these assumptions, the Company estimates the amount of obsolete, expiring and slow moving inventory. The total inventory reserve at February 28, 2019 and May 31, 2018 was $5.1 million and $6.1 million, respectively. Of the $5.1 million reserve as of February 28, 2019, $0.4 million relates to the inventory reserve for Acculis inventory as a result of the recall announced in the fourth quarter of fiscal year 2017 and $0.7 million relates to a specific reserve related to the termination of an agreement with a Japanese distributor in the second quarter of fiscal year 2018. Of the $6.1 million reserve as of May 31, 2018, $1.6 million relates to the inventory reserve for Acculis inventory as a result of the recall announced in the fourth quarter of fiscal year 2017 and $0.7 million relates to a specific reserve related to the termination of an agreement with a Japanese distributor in the second quarter of fiscal year 2018.

5. GOODWILL AND INTANGIBLE ASSETS

Intangible assets other than goodwill are amortized over their estimated useful lives on either a straight-line basis or proportionately to the benefit being realized. Useful lives range from two to eighteen years. The Company periodically reviews the estimated useful lives of its intangible assets and reviews such assets or asset groups for impairment whenever events or changes in circumstances indicate that the carrying value of the assets or asset groups may not be recoverable. If an intangible asset or asset group is considered to be impaired, the amount of the impairment will equal the excess of the carrying value over the fair value of the asset.

Goodwill is not amortized, but rather, is tested for impairment annually or more frequently if impairment indicators arise. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination.

The Company's annual testing for impairment of goodwill was completed as of December 31, 2018. The Company operates as a single operating segment with one reporting unit and consequently evaluates goodwill for impairment based on an evaluation of the fair value of the Company as a whole. The Company determines the fair value of the

reporting unit based on the market valuation approach and concluded that it was not more-likely-than-not that the fair value of the Company's reporting unit was less than its carrying value.

Even though the Company determined that there was no goodwill impairment as of December 31, 2018, the future occurrence of a potential indicator of impairment, such as a significant adverse change in legal, regulatory, business or economic conditions or a more-likely-than-not expectation that the reporting unit or a significant portion of the reporting unit will be sold or disposed of, would require an interim assessment for the reporting unit prior to the next required annual

Table of Contents

assessment as of December 31, 2019. The Company continued to assess for potential impairment through February 28, 2019 and noted no events that would be considered a triggering event.

The changes in the carrying amount of goodwill for the nine months ended February 28, 2019 were as follows:

(in thousands)	
Goodwill balance at May 31, 2018	$361,252
Additions for BioSentry acquisition (Note 2)	14,140
Additions for RadiaDyne acquisition (Note 2)	48,282
Goodwill balance at February 28, 2019	$423,674

Intangible assets consisted of the following:

	Feb 28, 2019		
(in thousands)	Gross carrying value	Accumulated amortization	Net carrying value
Product technologies	$188,475	$(77,772)	$110,703
Customer relationships	62,890	(26,363)	36,527
Trademarks	31,500	(13,752)	17,748
Licenses	5,752	(4,867)	885
Distributor relationships	1,250	(549)	701
	$289,867	$(123,303)	$166,564

	May 31, 2018		
(in thousands)	Gross carrying value	Accumulated amortization	Net carrying value
Product technologies	$147,175	$(68,880)	$78,295
Customer relationships	56,428	(23,237)	33,191
Trademarks	28,400	(11,809)	16,591
Licenses	5,752	(4,357)	1,395
Distributor relationships	1,250	(412)	838
	$239,005	$(108,695)	$130,310

Amortization expense for the three months ended February 28, 2019 and 2018 was $5.3 million and $4.2 million, respectively. Amortization expense for the nine months ended February 28, 2019 and 2018 was $14.6 million and $12.4 million, respectively.

Expected future amortization expense related to the intangible assets is as follows:

(in thousands)	
Remainder of 2019	$5,168
2020	18,955
2021	17,795
2022	16,910
2023	16,459
2024 and thereafter	91,277
	$166,564

Table of Contents

6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

(in thousands)	Feb 28, 2019	May 31, 2018
Payroll and related expenses	$10,499	$10,235
Royalties	1,645	1,537
Accrued severance	789	1,940
Sales and franchise taxes	870	683
Outside services	3,033	2,396
Litigation matters	—	12,500
Other	5,093	5,135
	$21,929	$34,426

7. LONG TERM DEBT

On November 7, 2016, the Company entered into a Credit Agreement (the “Credit Agreement”) with the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Keybank National Association as co-syndication agents, and JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Keybank National Association as joint bookrunners and joint lead arrangers.

The Credit Agreement provides for a $100.0 million senior secured term loan facility (“Term Loan”) and a $150.0 million senior secured revolving credit facility, which includes up to a $20.0 million sublimit for letters of credit and a $5.0 million sublimit for swingline loans (the “Revolving Facility”, and together with the Term Loan, the “Facilities”). On November 7, 2016, the Company borrowed $100.0 million under the Term Loan and approximately $16.5 million under the Revolving Facility to repay the balance of $116.5 million under the former credit agreement. In September 2018, the Company borrowed $55.0 million on the Revolving Facility for the RadiaDyne acquisition. In January 2019, the Company paid down $10.0 million on the $55.0 million draw. As of February 28, 2019, the outstanding balance on the Revolving Facility was $45.0 million. As of February 28, 2019 and May 31, 2018 the carrying value of long-term debt approximates its fair market value.

The interest rate on the Term Loan at February 28, 2019 was 4.00%.

The Company was in compliance with the Credit Agreement covenants as of February 28, 2019.

The Company's maturities of principal obligations under the Credit Agreement are as follows, as of February 28, 2019:

(in thousands)	
Remainder of 2019	$1,250
2020	7,500
2021	11,250
2022	68,750
Total term loan	88,750
Revolving facility (1)	45,000
Total debt	133,750
Less: Unamortized debt issuance costs	(663)
Total	133,087
Less: Current portion of long-term debt	(6,250)
Total long-term debt, net	$126,837

(1) The Revolving Facility is due in fiscal year 2022.

16

8. INCOME TAXES

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year adjusted for any discrete events, which are recorded in the period that they occur. The estimated annual effective tax rate prior to discrete items was 25.3% in the third quarter of fiscal 2019, as compared to 4.9% for the same period in fiscal 2018. In fiscal 2019, the Company's effective tax rate differs from the U.S. statutory rate primarily due to the impact of the valuation allowance, foreign taxes and state taxes.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the "Tax Reform Act") was signed into law. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018, implementing a territorial tax system, expanding the tax base and imposing a tax on deemed repatriated earnings of foreign subsidiaries. U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted.

In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 (SAB 118), which addresses how a company recognizes provisional amounts when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effect of the changes in the Tax Reform Act. The measurement period ends when a company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year. The Company elected to apply the measurement period guidance provided in SAB 118. As of February 28, 2019, the accounting for all of the enactment-date income tax effects of the Tax Reform Act was complete and any changes are noted below.

The Tax Reform Act imposed a one-time transition tax on the deemed repatriation of post-1986 undistributed foreign subsidiaries' earnings. Based on the information available as of December 31, 2017, the Company estimated undistributed foreign earnings of approximately $4.9 million. Upon further analysis, and refinement of the calculation during the 12 months ended February 28, 2019, the Company adjusted its provisional amount by $1.1 million to $3.8 million. The taxable income of $3.8 million arising from this deemed repatriation will continue to result in the utilization of net operating loss carryforwards, offset by changes in the valuation allowance, resulting in no net impact to tax expense. All other previously communicated tax impacts remain unchanged and complete.

The Tax Reform Act also creates a new requirement that certain income earned by foreign subsidiaries ("GILTI"), must be included in U.S. gross income. The FASB allows an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current period expense when incurred. The Company has elected to account for the GILTI tax as a current-period expense when incurred (the "period cost method").

The Company regularly assesses its ability to realize its deferred tax assets. Assessing the realization of deferred tax assets requires significant management judgment. In determining whether its deferred tax assets are more likely than not realizable, the Company evaluated all available positive and negative evidence, and weighted the evidence based on its objectivity. Evidence the Company considered included its history of net operating losses, which resulted in the Company recording a full valuation allowance for its deferred tax assets in fiscal 2016, except the naked credit deferred tax liability.

Based on the review of all available evidence, the Company determined that it has not yet attained a sustained level of profitability and the objectively verifiable negative evidence outweighed the positive evidence. Therefore, the Company has provided a valuation allowance on its federal and state net operating loss carryforwards, federal and state R&D credit carryforwards and other net deferred tax assets that have a limited life and are not supportable by the naked credit deferred tax liability sourced income as of February 28, 2019. The Company will continue to assess the level of the valuation allowance required. If sufficient positive evidence exists in future periods to support a release of some or all of the valuation allowance, such a release would likely have a material impact on the Company's results of operations.

9. SHARE-BASED COMPENSATION

The Company has two stock-based compensation plans that provide for the issuance of up to approximately 11.3 million shares of common stock. The 2004 Stock and Incentive Award Plan (the "2004 Plan") provides for the grant of

incentive options to the Company's employees and for the grant of non-statutory stock options, restricted stock, stock appreciation rights, performance units, performance shares and other incentive awards to the Company's employees, directors and other service providers. The Company also has an employee stock purchase plan.

For the three months ended February 28, 2019 and 2018, share-based compensation expense was $2.4 million and $2.1 million, respectively. For the nine months ended February 28, 2019 and 2018, share-based compensation expense was $7.1 million and $5.8 million, respectively.

Table of Contents

During the nine months ended February 28, 2019 and 2018, the Company granted stock options and restricted stock units under the 2004 Plan to certain employees and members of the Board of Directors. Stock option awards are valued using the Black-Scholes option-pricing model and then amortized on a straight-line basis over the requisite service period of the award. Restricted stock unit awards are valued based on the closing trading value of the Company's shares on the date of grant and then amortized on a straight-line basis over the requisite service period of the award.

In the first nine months of fiscal year 2019, the Company granted market-based performance share awards under the 2004 Plan to certain employees. The awards may be earned by achieving relative performance levels over the three year requisite service period. The performance criteria are based on the total shareholder return ("TSR") of the Company's common stock relative to the TSR of the common stock of a pre-defined industry peer-group. The fair value of these awards are based on the closing trading value of the Company's shares on the date of grant and use a Monte Carlo simulation model.

As of February 28, 2019, there was $15.2 million of unrecognized compensation expense related to share-based payment arrangements. These costs are expected to be recognized over a weighted-average period of approximately four years. The Company has sufficient shares to satisfy expected share-based payment arrangements.

10. EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share includes the dilutive effect of potential common stock consisting of stock options, restricted stock units and performance stock units, provided that the inclusion of such securities is not anti-dilutive. In periods with a net loss, stock options and restricted stock units are not included in the computation of diluted loss per share as the impact would be anti-dilutive.

The following table reconciles basic to diluted weighted-average shares outstanding for the three and nine months ended February 28, 2019 and 2018 (in thousands):

	Three Months Ended		Nine Months Ended	
(in thousands)	Feb 28, 2019	Feb 28, 2018	Feb 28, 2019	Feb 28, 2018
Basic	37,518	37,122	37,446	37,031
Effect of dilutive securities	820	320	904	327
Diluted	38,338	37,442	38,350	37,358
Securities excluded as their inclusion would be anti-dilutive	2,293	1,259	2,293	1,139

11. SEGMENT AND GEOGRAPHIC INFORMATION

The Company considers the business to be a single operating segment engaged in the development, manufacture and sale of medical devices for vascular access, peripheral vascular disease and oncology on a global basis. The Company's chief operating decision maker, the President and Chief Executive Officer (CEO), evaluates the various global product portfolios on a net sales basis. Executives reporting to the CEO include those responsible for commercial operations, manufacturing operations, regulatory and quality and certain corporate functions. The CEO evaluates profitability, investment and cash flow metrics on a consolidated worldwide basis due to shared infrastructure and resources.

The table below summarizes net sales by Global Business Unit:

	Three Months Ended		Nine months ended	
(in thousands)	Feb 28, 2019	Feb 28, 2018	Feb 28, 2019	Feb 28, 2018

Net sales				
Vascular Interventions & Therapies	$50,115	$48,517	$152,603	$149,751
Vascular Access	22,348	23,279	69,861	69,091
Oncology	13,878	12,055	40,720	37,126
Total	$86,341	$83,851	$263,184	$255,968

Table of Contents

The table below presents net sales by geographic area based on external customer location:

(in thousands)	Three Months Ended Feb 28, 2019	Three Months Ended Feb 28, 2018	Nine months ended Feb 28, 2019	Nine months ended Feb 28, 2018
Net sales				
United States	$68,331	$65,787	$207,898	$203,020
International	18,010	18,064	55,286	52,948
Total	$86,341	$83,851	$263,184	$255,968

12. FAIR VALUE

On a recurring basis, the Company measures certain financial assets and financial liabilities at fair value based upon quoted market prices, where available. Where quoted market prices or other observable inputs are not available, the Company applies valuation techniques to estimate fair value. FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The categorization of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted market prices for identical assets or liabilities.
- Level 2 - Inputs to the valuation methodology are other observable inputs, including quoted market prices for similar assets or liabilities and market-corroborated inputs.
- Level 3 - Inputs to the valuation methodology are unobservable inputs based on management's best estimate of inputs market participants would use in pricing the asset or liability at the measurement date, including assumptions about risk.

The Company's financial instruments include cash and cash equivalents, marketable securities, accounts receivable, accounts payable and contingent consideration. The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value due to the immediate or short-term maturities. The Company's recurring fair value measurements using significant unobservable inputs (Level 3) relate to the Company's marketable securities, which are comprised of auction rate securities, and contingent consideration.
The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis as of February 28, 2019 and May 31, 2018:

(in thousands)	Fair Value Measurements using inputs considered as: Level 1	Level 2	Level 3	Fair Value at February 28, 2019
Financial Liabilities				
Contingent consideration for acquisition earn outs	$—	$ —	$27,127	$27,127
Total Financial Liabilities	$—	$ —	$27,127	$27,127

(in thousands)	Fair Value Measurements using inputs considered as: Level 1	Level 2	Level 3	Fair Value at May 31, 2018
Financial Assets				
Short-term investments*	$2,100	$ —	$—	$2,100
Marketable securities	—	—	1,317	1,317
Total Financial Assets	$2,100	$ —	$1,317	$3,417

Financial Liabilities				
Contingent consideration for acquisition earn outs	$—	$ —	$3,261	$3,261
Total Financial Liabilities	$—	$ —	$3,261	$3,261

*Included in cash and cash equivalents.

19

Table of Contents

There were no transfers between Level 1, 2 and 3 for the three and nine months ended February 28, 2019.
The table below presents the changes in fair value components of Level 3 instruments in the three and nine months ended February 28, 2019:

(in thousands)	Three Months Ended February 28, 2019	
	Financial Assets	Financial Liabilities
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance, November 30, 2018	$1,350	$ 26,518
Total gains or losses (realized/unrealized):		
Change in present value of contingent consideration (1)	—	609
Proceeds from sale of marketable securities	(1,350)	—
Balance, February 28, 2019	$—	$ 27,127

	Nine Months Ended February 28, 2019	
	Financial Assets	Financial Liabilities
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance, May 31, 2018	$1,317	$ 3,261
Contingent consideration liability recorded as the result of the acquisitions (Note 2)	—	25,101
Change in present value of contingent consideration (1)	—	865
Fair market value adjustments	33	—
Proceeds from sale of marketable securities	(1,350)	—
Contingent consideration payments	—	(2,100)
Balance, February 28, 2019	$—	$ 27,127

(1) Change in the fair value of contingent consideration is included in earnings and comprised of changes in estimated earn out payments based on projections of Company performance and amortization of the present value discount.

Short-term Investments

Short-term investments consist of highly liquid investments in municipal bonds that reset on a weekly basis and can be called at any point in time.

Marketable Securities

Marketable securities consist solely of an auction rate security. Assumptions associated with the auction rate security include the interest rate benchmarks, the probability of full repayment of the principal considering the credit quality and guarantees in place, and the rate of return required by investors to own such securities given the current liquidity risk.

Contingent Consideration for Acquisition Earn Outs

Some of the Company's business combinations involve the potential for the payment of future contingent consideration upon the achievement of certain product development milestones or various other performance conditions. Payment of the additional consideration is generally contingent on the acquired company reaching certain performance milestones, including attaining specified revenue levels or product development targets. Contingent consideration is recorded at the estimated fair value of the contingent payments on the acquisition date. The fair value of the contingent consideration is remeasured at the estimated fair value at each reporting period with the change in fair value recognized as income or expense within change in fair value of contingent consideration in the consolidated statements of income.

The Company measures the initial liability and remeasures the liability on a recurring basis using Level 3 inputs as defined under authoritative guidance for fair value measurements. The fair value is determined using a discounted cash flow model applied to projected net sales, using probabilities of achieving projected net sales and projected payment dates. Projected

Table of Contents

net sales are based on the Company's internal projections and extensive analysis of the target market and the sales potential. Increases or decreases in any valuation inputs in isolation may result in a significantly lower or higher fair value measurement in the future.

The recurring Level 3 fair value measurements of the contingent consideration liabilities include the following significant unobservable inputs as of February 28, 2019:

(in thousands)	Fair Value	Valuation Technique	Unobservable Input	Range
Revenue based payments	$18,264	Discounted cash flow	Discount rate	4% - 5%
			Probability of payment	66% - 100%
			Projected fiscal year of payment	2020 - 2023
Technical milestones	$6,021	Estimated probability	Estimated probability	90%
			Projected year of payment	2020
Supplier default holdback	$2,842	Estimated probability	Estimated probability	95%
			Projected fiscal year of payment	2019
Total	$27,127			

At February 28, 2019, the range of estimated potential undiscounted future contingent consideration that the Company expects to pay as a result of all completed acquisitions is approximately $31.2 million to $41.2 million. The milestones, including revenue projections and technical milestones, associated with the contingent consideration must be reached in future periods ranging from fiscal years 2019 to 2023 in order for the associated consideration to be paid.

13. MARKETABLE SECURITIES

Marketable securities, which can be government agency bonds, auction rate investments or corporate commercial paper, are classified as “available-for-sale securities” and are reported at fair value, with unrealized gains and losses excluded from operations and reported as accumulated other comprehensive income (loss), net of related tax effects, in stockholders' equity. Cost is determined using the specific identification method. The Company held an investment in an auction rate security that had high credit quality and generally achieved with municipal bond insurance. Sell orders for any security traded through an auction process could exceed bids and, in such cases, the auction fails and the Company may be unable to liquidate its position in the security in the near term. The Company sold the investment in the auction rate security during January 2019. As of May 31, 2018, the Company had a $1.3 million investment in one auction rate security.

As of February 28, 2019 and May 31, 2018, marketable securities consisted of the following:

	February 28, 2019			
(in thousands)	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Government agency obligations	$—	$—	$—	$—
	$			