

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

PSYCHEMEDICS CORP

CIK: **806517** | IRS No.: **581701987** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**Current Report
Pursuant To Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **August 1, 2006**

PSYCHEMEDICS CORPORATION

(Exact Name of Registrant As Specified In Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-13738

(Commission File Number)

58-1701987

(I.R.S. Employer Identification No.)

125 Nagog Park, Acton, Massachusetts

(Address of Principal Executive Offices)

01720

(Zip Code)

(978) 206-8220

(Registrant' s Telephone Number, Including Area Code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On August 1, 2006, Psychomedics Corporation issued a press release announcing preliminary results for the quarter ended June 30, 2006. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

Limitation on Incorporation by Reference. The information in this Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of any general incorporation language in such filing.

Cautionary Note Regarding Forward-Looking Statements. Except for historical information contained in the press release attached as an exhibit hereto, the press release contains forward-looking statements which involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. Please refer to the cautionary note in the press release regarding these forward-looking statements.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

The following exhibits are filed herewith:

99.1 Press Release dated August 1, 2006.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

PSYCHEMEDICS CORPORATION

Dated: August 3, 2006

By: /s/ Peter C. Monson
Peter C. Monson, Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press release dated August 1, 2006 of Psychemedics Corporation announcing its financial results for the quarter ended June 30, 2006.

NEWS RELEASE

Contact: Peter Monson
Chief Financial Officer
(978) 206-8220
Peterm@psychemedics.com

**PSYCHEMEDICS CORPORATION ANNOUNCES 2nd QUARTER
RESULTS – RECORD QUARTERLY REVENUE AND NET INCOME,
\$.125 QUARTERLY DIVIDEND DECLARED**

Acton, Massachusetts, August 1, 2006 – Psychemedics Corporation (AMEX: PMD) today announced second quarter results for the period ending June 30, 2006. The Company also announced a quarterly dividend of \$.125 per share. This will be the Company's 40th consecutive quarterly dividend and will be paid on September 22, 2006 to shareholders of record on September 8, 2006.

The Company's second quarter revenue was \$6,181,386, up 10% as compared to \$5,615,329 in the second quarter of 2005. Net income was \$1,401,120 or \$.27 per share, up 17% from \$1,200,846 or \$.23 per share for the same period in 2005.

Raymond C. Kubacki, Chairman and Chief Executive Officer, said, "We are pleased to report that our revenue and our net income for both the second quarter and the six months ended June 30, 2006 set new all-time records for Psychemedics. Our growth over the years has been a result of the increasingly broad acceptance of our patented hair testing technology. We produce the most accurate and cost effective test for drugs of abuse available anywhere."

Kubacki stated, "Our quarterly revenue increased by 10% in the second quarter. We are particularly encouraged by the fact that our revenues for May and June were very strong."

Kubacki concluded, "We are pleased to declare our 40th consecutive quarterly dividend, thus demonstrating our Directors' continued commitment to rewarding shareholders and sharing the financial success of the Company with them as we grow. We remain focused on building shareholder value while maintaining our dedication to operating a lean, profitable, dividend paying company. The Company's balance sheet remains strong with over \$5.6 million of cash and short-term investments, no long-term debt and approximately \$9.2 million of working capital."

Psychemedics is the world's largest provider of hair testing for drugs of abuse with thousands of corporations relying on the patented Psychemedics drug testing services. Psychemedics' clients include over 10% of the Fortune 500, some of the largest police departments in America and six Federal Reserve Banks.

Financial Highlights:

Record Revenue for the second quarter of \$6,181,386, an increase of 10% over the prior year quarter

Record Revenue for the six month period of \$11,248,116, an increase of 3% over the prior year period

Record Net Income for the second quarter of \$1,401,120, or \$.27 per diluted share, up \$.04 or 17% per diluted share from the prior year quarter

Record Net Income for the six month period of \$2,323,285, or \$.44 per diluted share, up \$.02 or 8% per diluted share from the prior year period

The Psychemedics web site is www.drugtestwithhair.com

Cautionary Statement for purposes of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995: From time to time, information provided by Psychemedics may contain forward-looking information that involves risks and uncertainties. In particular, statements contained in this release that are not historical facts (including but not limited to statements concerning growth, earnings, profit margins, earnings per share, revenues, dividends, future business, new accounts, customer base, market share, test volume and sales and marketing strategies) may be "forward looking" statements. Actual results may differ from those stated in any forward-looking statements. Factors that may cause such differences include but are not limited to risks associated with the expansion of the Company's sales and marketing network, development of markets for new products and services offered, the economic health of principal customers of the Company, government regulation, including but not limited to FDA regulations, competition and general economic conditions and other factors disclosed in the Company's filings with the Securities and Exchange Commission.

PSYCHEMEDICS CORPORATION
STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenue	\$6,181,386	\$5,615,329	\$11,248,116	\$10,953,079
Cost of Revenue	2,331,401	2,224,449	4,447,550	4,389,279
Gross Profit	3,849,985	3,390,880	6,800,566	6,563,800
Expenses:				
General and administrative	836,679	755,974	1,600,660	1,628,612
Marketing and selling	731,607	678,168	1,397,174	1,407,249
Research and development	116,072	73,854	228,650	145,801
	1,684,358	1,507,996	3,226,484	3,181,662
Operating Income	2,165,627	1,882,884	3,574,082	3,382,138
Interest Income	63,493	26,962	122,203	39,598
Other Income	-	-	-	1,250
Income before Income Taxes	2,229,120	1,909,846	3,696,285	3,422,986
Provision for Income Taxes	828,000	709,000	1,373,000	1,274,000
Net Income	<u>\$1,401,120</u>	<u>\$1,200,846</u>	<u>\$2,323,285</u>	<u>\$2,148,986</u>
Basic Net Income Per Share	\$0.27	\$0.23	\$0.45	\$0.42
Diluted Net Income Per Share	\$0.27	\$0.23	\$0.44	\$0.42
Weighted Average Common Shares Outstanding, Basic	5,169,361	5,163,506	5,168,235	5,146,103
Weighted Average Common Shares Outstanding, Diluted	5,238,697	5,173,941	5,224,374	5,158,159

PSYCHEMEDICS CORPORATION
CONDENSED BALANCE SHEETS

	<u>JUNE 30, 2006</u>	<u>DECEMBER 31, 2005</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$1,990,076	\$ 3,352,519
Short-term investments	3,575,000	2,550,000
Accounts receivable, net of allowance for doubtful accounts of \$430,212 in 2006 and \$461,282 in 2005	4,387,158	3,272,278
Prepaid expenses and other current assets	615,132	387,426
Deferred tax assets	<u>526,646</u>	<u>520,152</u>
Total current assets	11,094,012	10,082,375
PROPERTY AND EQUIPMENT:		
Equipment and leasehold improvements, at cost	10,188,948	10,119,679
Less-accumulated depreciation and amortization	<u>(9,488,581)</u>	<u>(9,342,747)</u>
	700,367	776,932
DEFERRED TAX ASSETS	245,889	245,889
OTHER ASSETS, NET	<u>39,830</u>	<u>39,830</u>
	<u>\$12,080,098</u>	<u>\$ 11,145,026</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$346,625	\$ 367,535
Accrued expenses	957,513	1,292,257
Deferred revenue	<u>623,341</u>	<u>590,670</u>
Total current liabilities	1,927,479	2,250,462
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.005 par value; 872,521 shares authorized; none issued or outstanding	-	-
Common stock; \$0.005 par value; 50,000,000 shares authorized; 5,756,044 shares and 5,750,894 shares issued in 2006 and 2005, respectively	28,780	28,754
Paid-in capital	25,544,767	25,446,781
Accumulated deficit	(6,298,237)	(7,458,280)
Less - Treasury stock, at cost; 583,797 shares	<u>(9,122,691)</u>	<u>(9,122,691)</u>
Total shareholders' equity	<u>10,152,619</u>	<u>8,894,564</u>
	<u>\$12,080,098</u>	<u>\$ 11,145,026</u>