

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

ENCISION INC

Form: 8-K

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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 12, 2019

ENCISION, INC.

(Exact name of registrant as specified in its charter)

Colorado

0-28604

84-1162056

(State or other jurisdiction
of incorporation)

(Commission
File Number)

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

6797 Winchester Circle, Boulder, Colorado

80301

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

(303) 444-2600

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, no par value	ECIA	OTC Bulletin Board

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 Instruction 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 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

[99.1](#) [Press Release issued by ENCISION, INC., August 12, 2019](#)

SIGNATURES

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.

ENCISION, INC.
(Registrant)

Date: August 12, 2019

/s/ Mala M Ray
Mala M Ray
Controller

Principal Accounting Office

Encision Reports First Quarter Fiscal Year 2020 Results

BOULDER, Colo., Aug. 12, 2019 /PRNewswire/ -- Encision Inc. (PK:ECIA), a medical device company owning patented Active Electrode Monitoring (AEM®) Technology that prevents dangerous stray electrosurgical burns in minimally invasive surgery, today announced financial results for its fiscal 2020 first quarter that ended June 30, 2019.

The Company posted quarterly net revenue of \$1.93 million for a quarterly net loss of \$182 thousand, or \$(0.02) per diluted share. These results compare to net revenue of \$2.40 million for a quarterly net income of \$18 thousand, or \$0.00 per diluted share, in the year-ago quarter. Net revenue for the quarter ended June 30, 2018 included revenue from a higher number of capital monitor units sold, which delivers a higher sales price per unit than the sales price of other products that we sell. Gross margin on net revenue was 48% in the fiscal 2019 first quarter and 54% in the fiscal 2018 first quarter. Gross margin on net revenue was lower in the current quarter primarily as a result of significantly higher material costs, especially as a result of tariffs on our steel costs and higher labor and overhead costs, per unit of inventory, as a result of lower revenue and higher labor and overhead costs, per unit of inventory, as a result of lower revenue.

Last week, we entered into a loan and security agreement with Crestmark Bank. The loan is due on demand and has no financial covenants. Under the agreement, we were provided with a line of credit that is not to exceed the lesser of \$1,000,000 or 85% of eligible accounts receivable. The interest rate is prime rate plus 1.5%, with a floor of 6.75%, plus a monthly maintenance fee of 0.4%, based on the average monthly loan balance. Interest is charged on a minimum loan balance of \$500,000, a loan fee of 1% annually, and an exit fee of 3%, 2% and 1% during years one, two and three, respectively.

"For this fiscal year's first quarter, net revenue resulted in a 20% decline of revenue, said Greg Trudel, President and CEO of Encision Inc. "Because of the significantly higher material costs that were a result of the U.S. tariffs and the resulting loss, we have implemented a reduction of personnel and departmental spending in excess of \$1 million annualized. We expect that the reductions will return us to profitability. While never satisfied with a loss of any magnitude, our confidence in our strategy to drive top line growth through new product introductions and channel expansion is unwavering."

Encision Inc. designs and markets a portfolio of high performance surgical instrumentation that delivers advances in patient safety with AEM technology, surgical performance, and value to hospitals across a broad range of minimally invasive surgical procedures. Based in Boulder, Colorado, the company pioneered the development and deployment of Active Electrode Monitoring, AEM technology, to eliminate dangerous stray energy burns during minimally invasive procedures. For additional information about all our products, please visit www.encision.com.

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company notes that statements in this press release and elsewhere that look forward in time, which include everything other than historical information, involve risks and uncertainties that may cause actual results to differ materially from those indicated by the forward-looking statements. Factors that could cause the Company's actual results to differ materially include, among others, its ability to develop new or enhanced products and have such products accepted in the market, its ability to increase net sales through the Company's distribution channels, its ability to compete successfully against other manufacturers of surgical instruments, insufficient quantity of new account conversions, insufficient cash to fund operations, delay in developing new products and receiving FDA approval for such new products and other factors discussed in the Company's filings with the Securities and Exchange Commission. Readers are encouraged to review the risk factors and other disclosures appearing in the Company's Annual Report on Form 10-K for the year ended June 30, 2019 and subsequent filings with the Securities and Exchange Commission. We do not undertake any obligation to update publicly any forward-looking statements, whether as a result of the receipt of new information, future events, or otherwise.

CONTACT: Mala Ray, Encision Inc., 303-444-2600, mray@encision.com

Encision Inc.
Unaudited Condensed Statements of Operations
(in thousands, except per share information)

	Three Months Ended	
	June 30, 2019	June 30, 2018
Net revenue	\$1,929	\$2,404
Cost of revenue	996	1,103
Gross profit	933	1,301
Operating expenses:		
Sales and marketing	530	776
General and administrative	346	320
Research and development	236	167
Total operating expenses	1,112	1,263
Operating income (loss)	(179)	38
Interest expense and other expense, net	(3)	(20)
Income (loss) before provision for income taxes	(182)	18
Provision for income taxes	—	—
Net income (loss)	\$ (182)	\$ 18
Net income (loss) per share—basic and diluted	\$(0.02)	\$0.00
Weighted average number of shares— basic	11,558	10,683
Weighted average number of shares— diluted	11,558	10,705

Encision Inc.
Unaudited Condensed Balance Sheets
(in thousands)

	<u>June 30, 2019</u>	<u>March 31, 2019</u>
ASSETS		
Cash and cash equivalents	\$ 135	\$ 273
Restricted cash	—	25
Accounts receivable, net	1,021	1,009
Inventories, net	1,378	1,473
Prepaid expenses	133	130
Total current assets	<u>2,667</u>	<u>2,910</u>
Equipment, net	234	250
Patents, net	243	249
Right of use asset	1,182	—
Other assets	19	19
Total assets	<u>\$ 4,345</u>	<u>\$ 3,428</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 438	\$ 579
Accrued compensation	209	296
Other accrued liabilities	138	126
Line of credit	150	—
Accrued lease liability	159	—
Total current liabilities	<u>1,094</u>	<u>1,001</u>
Accrued lease liability	1,074	—
Deferred rent	—	75
Total liabilities	<u>2,168</u>	<u>1,076</u>
Common stock and additional paid-in capital	24,210	24,202
Accumulated (deficit)	(22,032)	(21,850)
Total shareholders' equity	<u>2,177</u>	<u>2,352</u>
Total liabilities and shareholders' equity	<u>\$ 4,345</u>	<u>\$ 3,428</u>

Encision Inc.
Unaudited Condensed Statements of Cash Flows
(in thousands)

	<u>Three Months Ended</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Operating activities:		
Net income (loss)	\$ (182)	\$ 19
Adjustments to reconcile net income (loss) to cash generated by operating activities:		
Depreciation and amortization	43	48
Share-based compensation expense	8	12
(Recovery from) provision for doubtful accounts, net	(6)	(3)
(Recovery from) inventory obsolescence, net	(10)	—
Changes in operating assets and liabilities:		
Right of use asset	49	—
Accounts receivable	(6)	(285)
Inventories	105	201
Prepaid expenses and other assets	(3)	(44)
Accounts payable	(141)	(17)
Accrued compensation and other accrued liabilities	(148)	(73)
Net cash (used in) operating activities	<u>(291)</u>	<u>(142)</u>
Investing activities:		
Acquisition of property and equipment	(21)	(5)
Patent costs	(1)	(1)
Net cash (used in) investing activities	<u>(22)</u>	<u>(6)</u>
Financing activities:		
Borrowings from credit facility, net change	150	87
Net cash generated by financing activities	<u>150</u>	<u>87</u>

Net (decrease) in cash, cash equivalents and restricted cash	(163)	(61)
Cash, cash equivalents and restricted cash, beginning of period	<u>298</u>	<u>139</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 135</u>	<u>\$ 78</u>