
**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): November 12, 2014

ELECTROMED, INC.

(Exact Name of Registrant as Specified in Its Charter)

Minnesota
(State or Other Jurisdiction of
Incorporation)

001-34839
(Commission File Number)

41-1732920
(I.R.S. Employer Identification
Number)

500 Sixth Avenue NW
New Prague, MN 56071
(Address of Principal Executive Offices)(Zip Code)

(952) 758-9299
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(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:

- 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))
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Item 2.02 Results of Operations and Financial Condition.

On November 12, 2014, Electromed, Inc. (the “Company”) issued a press release announcing its financial results for the three months ended September 30, 2014. The full text of the press release is set forth in Exhibit 99.1 attached hereto and is incorporated by reference in this Current Report on Form 8-K as if fully set forth herein.

The information contained in this Current Report on Form 8-K, including the Exhibit 99.1 attached hereto and incorporated herein, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, and shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other Events.

On or about November 12, 2014, the Company mailed a letter from its chief executive officer to the Company’s shareholders, dated November 12, 2014, updating the Company’s shareholders on recent Company developments. The full text of the shareholder letter is set forth in Exhibit 99.2 attached hereto and is incorporated by reference in this Current Report on Form 8-K as if fully set forth herein.

Item 9.01 Financial Statements and Exhibits.

- (a) Financial statements: None.
 - (b) Pro forma financial information: None.
 - (c) Shell company transactions: None.
 - (d) Exhibits:
 - 99.1 Press Release dated November 12, 2014.
 - 99.2 Shareholder Letter dated November 12, 2014.
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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.

Date: November 12, 2014

Electromed, Inc.

By: /s/ Jeremy T. Brock

Name: Jeremy T. Brock

Title: Chief Financial Officer

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ELECTROMED, INC.
EXHIBIT INDEX TO FORM 8-K

Date of Report:
November 12, 2014

Commission File No.:
001-34839

Exhibit Number	Description
99.1	Press Release dated November 12, 2014.
99.2	Shareholder Letter dated November 12, 2014.

ELECTROMED, INC.

FOR IMMEDIATE RELEASE

Contact

Kathleen Skarvan
Chief Executive Officer
Electromed, Inc.
952-758-9299
kskarvan@electromed.com

Electromed, Inc. Reports Higher First Quarter Revenues and Profits

New Prague, Minnesota – November 12, 2014 - Electromed, Inc. (NYSE MKT: ELMD) today announced financial results for the three-month period ended September 30, 2014. Net revenues for the first quarter of fiscal 2015 rose approximately 40% to \$4.8 million, compared to \$3.4 million in the first quarter of fiscal 2014. The Company reported net income of \$378,000, or \$0.05 cents per basic and diluted share, for the first quarter of fiscal 2015, compared to a net loss of \$335,000, or (\$0.04) cents per basic and diluted share, for the same period of fiscal 2014.

Kathleen Skarvan, Electromed's chief executive officer, commented, "The first quarter results are further evidence that we have made significant progress on our strategy to strengthen and grow the Company's core business, as demonstrated by our strong revenue growth which resulted in improved profitability and cash flow."

Growth in total net revenues was attributable to strong results in the home care market where sales increased by approximately 35%, or \$1.0 million, compared to the same period of fiscal 2014. Home care sales increased due to continued improvements in the Company's reimbursement operations, including new third party payer contracts and process improvements, which led to faster approval cycle times, higher average selling price and greater referral to approval percentage. International sales increased by 168%, or \$250,000, due primarily to the favorable timing of orders placed by international distributors. Institutional sales increased 25%, or \$105,000, compared to the first quarter of fiscal 2014.

Gross margins in the first quarter of fiscal 2015 improved to 69.1% from 68.9% in the first quarter of fiscal 2014 as stronger revenues offset the higher manufacturing costs for the SmartVest SQL™ product as compared to the predecessor product, SV2100™. Over time, the Company expects to bring manufacturing costs for the SQL product roughly in line with previous products. Operating expenses, which include selling, general and administrative (SG&A) and research and development (R&D), declined to 61% of sales compared with 86% of sales in the first quarter of fiscal 2014. The decline resulted from the higher level of net sales in the first quarter of fiscal 2015. Operating expenses rose slightly due to higher sales commission expense and additional personnel in the reimbursement area, offset by a reduction in R&D expenses.

The Company generated \$945,000 of cash flow from operations in the first quarter and finished the quarter with over \$2.2 million of cash on hand.

"The fundamentals of the quarter are encouraging, including the market's acceptance of our newest generation device, the SQL, and I believe there are opportunities for us to expand our market share," said Skarvan. "Amidst the challenging reimbursement environment, we have streamlined our reimbursement and enhanced the customer services processes and are having more referrals approved resulting in higher net revenues. We are continuing to upgrade our sales team to maximize their productivity and effectiveness and improve domestic home care lead generation, our highest opportunity for sales growth."

Electromed, Inc.

Results for the Three-Months Ended September 30, 2014

Page 2

I am very pleased with the way the Electromed team is delivering against our operating plan and our progress toward delivering profitable growth that is sustainable beyond fiscal 2015.”

About Electromed, Inc.

Electromed, Inc. manufactures, markets, and sells products that provide airway clearance therapy, including the SmartVest[®] Airway Clearance System and related products, to patients with compromised pulmonary function. Further information about the Company can be found at www.electromed.com.

Cautionary Statements

Certain statements found in this release may constitute forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect the speaker’s current views with respect to future events and financial performance and include any statement that does not directly relate to a current or historical fact. Forward-looking statements can generally be identified by the words “believe,” “expect,” “anticipate” or “intend” or similar words. Forward-looking statements made in this release include the Company’s beliefs regarding the impact of industry trends and legislation on revenue and the Company’s revenue growth and cost control strategies. Forward-looking statements cannot be guaranteed and actual results may vary materially due to the uncertainties and risks, known and unknown, associated with such statements. Examples of risks and uncertainties for Electromed include, but are not limited to, the impact of emerging and existing competitors, the effect of new legislation on our industry and business, the effectiveness of our sales and marketing and cost control initiatives, changes to reimbursement programs, as well as other factors described from time to time in our reports to the Securities and Exchange Commission (including our Annual Report on Form 10-K). Investors should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or potentially inaccurate assumptions investors should take into account when making investment decisions. Shareholders and other readers should not place undue reliance on “forward-looking statements,” as such statements speak only as of the date of this release.

Financial Tables Follow:

-more-

Electromed, Inc.

Results for the Three-Months Ended September 30, 2014

Page 3

**Electromed, Inc. and Subsidiary
Condensed Consolidated Balance Sheets**

	September 30, 2014	June 30, 2014
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,280,126	\$ 1,502,702
Accounts receivable (net of allowances for doubtful accounts of \$45,000)	6,361,689	6,487,267
Inventories	2,243,198	2,235,496
Prepaid expenses and other current assets	485,674	397,853
Total current assets	11,370,687	10,623,318
Property and equipment, net	3,944,975	3,935,802
Finite-life intangible assets, net	899,559	930,451
Other assets	299,902	302,595
Total assets	<u>\$ 16,515,123</u>	<u>\$ 15,792,166</u>
Liabilities and Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 47,003	\$ 46,375
Accounts payable	781,823	380,582
Accrued compensation	447,354	391,040
Warranty reserve	720,000	700,000
Other accrued liabilities	166,497	302,482
Total current liabilities	2,162,677	1,820,479
Long-term debt, less current maturities	1,239,333	1,251,192
Total liabilities	3,402,010	3,071,671
Commitments and Contingencies		
Equity		
Common stock, \$0.01 par value; authorized: 13,000,000 shares; 8,114,252 issued and outstanding	81,143	81,143
Additional paid-in capital	13,232,256	13,217,166
Accumulated deficit	(200,286)	(577,814)
Total equity	13,113,113	12,720,495
Total liabilities and equity	<u>\$ 16,515,123</u>	<u>\$ 15,792,166</u>

Electromed, Inc.

Results for the Three-Months Ended September 30, 2014

Page 4

Electromed, Inc. and Subsidiary
Condensed Consolidated Statements of Operations (Unaudited)

	For the Three Months Ended September 30,	
	2014	2013
Net revenues	\$ 4,770,539	\$ 3,418,178
Cost of revenues	1,475,797	1,062,346
Gross profit	3,294,742	2,355,832
Operating expenses		
Selling, general and administrative	2,821,495	2,723,927
Research and development	75,265	209,108
Total operating expenses	2,896,760	2,933,035
Operating income (loss)	397,982	(577,203)
Interest expense, net of interest income of \$1,212 and \$7,398 respectively	20,453	15,202
Net income (loss) before income taxes	377,529	(592,405)
Income tax benefit	—	257,000
Net income (loss)	\$ 377,529	\$ (335,405)
Earnings (loss) per share:		
Basic and diluted	\$ 0.05	\$ (0.04)
Weighted-average common shares outstanding:		
Basic	8,114,252	8,114,252
Diluted	8,114,252	8,114,252

Electromed, Inc.

Results for the Three-Months Ended September 30, 2014

Page 5

Electromed, Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the Three Months Ended September 30,	
	2014	2013
Cash Flows From Operating Activities		
Net income (loss)	\$ 377,529	\$ (335,405)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	155,341	122,923
Amortization of finite-life intangible assets	30,892	31,619
Amortization of debt issuance costs	4,942	2,314
Share-based compensation expense	15,089	39,460
Loss on disposal of property and equipment	18,824	18,134
Changes in operating assets and liabilities:		
Accounts receivable	125,578	1,024,688
Inventories	(7,702)	(52,628)
Prepaid expenses and other assets	(90,070)	(270,260)
Accounts payable and accrued liabilities	314,901	161,138
Net cash provided by operating activities	<u>945,324</u>	<u>741,983</u>
Cash Flows From Investing Activities		
Expenditures for property and equipment	<u>(156,669)</u>	<u>(148,915)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt including capital lease obligations	<u>(11,231)</u>	<u>(19,250)</u>
Net increase in cash and cash equivalents	777,424	573,818
Cash and cash equivalents		
Beginning of period	1,502,702	503,564
End of period	<u>\$ 2,280,126</u>	<u>\$ 1,077,382</u>

Electromed, Inc.

FY 2015 Q1 Letter to Shareholders

Making life's important moments possible – one breath at a time.

To our shareholders

It is again my pleasure to be writing to you to review our first quarter 2015 financial results, provide an update on our progress against our strategic plan and discuss industry trends and our outlook. We continued to make solid progress in terms of our operational results with fiscal 2015 first quarter revenue growth of 40% and net income of \$378,000, or five cents per share. This is the second consecutive quarter of profitability for the Company and is indicative of the significant progress we have made in putting the Company on solid financial footing.

The fundamentals of the first quarter were encouraging. The strong revenue growth resulted from continued improvements in the Company's reimbursement operations including new third-party payer contracts and process improvements, which lead to faster approval cycle times, a higher average selling price and a greater referral to approval percentage. While approval percentages will continue to fluctuate from quarter to quarter, we believe we have built a strong team within the Company who have, and will continue to, increase our long-term average approval percentage. Our team understands how to work with both the payers and the prescribers of our products to obtain reimbursement for patients who can genuinely benefit from our offerings.

In addition to strong results from our reimbursement team, we continued to improve our sales team productivity and lead generation through training and a keener focus on successfully placing our products with the patients that can benefit the most from our product. These improvements, along with our SmartVest SQL[®] offering, provide the tools needed for home care referral growth and improving our referral to approval percentage.

Although the vast majority of our revenue is from home care sales, we have identified opportunities in the institutional segment and are expanding our geographic footprint there. The opportunity is two-fold: first, a sale of our device and recurring disposable garment sales directly to the institution and, second, a home care referral for patients upon their discharge. This opportunity supports institutions in one of the major objectives created by the health care reform effort in the United States by providing outcomes that reduce readmissions.

The strong revenue growth we reported in the first quarter enabled us to deliver improved gross margins in both dollar and percentage terms. The positive earnings and strong cash flow enabled our ongoing investment in key sales and marketing initiatives to drive sales growth. Gross margin rose slightly to 69.1% in the first quarter of fiscal 2015, up from 68.9% in the first quarter of fiscal 2014. In terms of cash flow, we reported cash flow from operations of nearly \$1.0 million in the first quarter and ended the quarter with \$2.3 million in cash on hand.

We have now been shipping our SmartVest SQL[®] for three quarters and are pleased by the market's acceptance. We believe the SQL provides opportunities for market share growth as this innovative airway clearance system is significantly smaller, quieter and lighter than previous versions and has new programmability with a simple-to-use interface. In addition, it features Soft Start[®] and a programmable ramp feature.

The SQL is a more expensive product to manufacture as mentioned in previous shareholder letters, and we are focusing significant efforts on bringing component and assembly costs down in line with previous products. These cost reductions will enhance our gross margins and improve profitability over time. For now, we continue to sell both SQL and the predecessor product, the SV2100, and expect to gradually move to a higher percentage of SQL sales by fiscal year end.

Overall, the market for high frequency chest wall oscillation (HFCWO) therapy remains competitive and we believe the fundamental drivers of growth in the health care industry are encouraging. These include an aging population and millions of people in the United States with chronic lung diseases such as bronchiectasis, cystic fibrosis, chronic obstructive pulmonary disease (COPD) and neuromuscular conditions. With the enhanced focus on outcomes, physicians are looking for effective therapies and we believe HFCWO has proven its worth as a treatment option.

As fiscal 2015 progresses, we will be taking steps to further enhance the effectiveness of our sales team through training and improved territory management disciplines. We believe there are opportunities available to secure new business and we will do what is necessary to capture those opportunities. In addition, we will continue to market our products to institutional customers, increasing the likelihood that a patient using HFCWO therapy in a hospital will continue using our products after discharge.

I am encouraged by the position we are in today. We have a solid product line, the market fundamentals are encouraging and we have seen that our strategy and solid execution has resulted in significant progress. We have taken the important steps to place the Company on a path of sustainable revenue growth and profitability. We know that amidst a complex and evolving healthcare environment we will be faced with challenges requiring us to evolve our strategies while keeping a keen focus on execution. I am proud of the Electromed team and they deserve tremendous credit for their hard work, dedication and "patient first" approach to everything they do.

As fiscal 2015 progresses, we will look to build on our market position, drive sales productivity and execution, and further improve our reimbursement processes, procedures and service level while leveraging the momentum we've built to grow revenue and earnings.

Thank you, shareholders, for your continued support.

Sincerely,



Kathleen Skarvan

Chief Executive Officer

Cautionary Statements

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