
**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, 2013

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, 2013, Electromed, Inc. (the "Company") issued a press release announcing its financial results for the three months ended September 30, 2013. 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

Attached hereto as Exhibit 99.2 is the full text of a letter from the Company's chief executive officer, which will be mailed to the Company's shareholders, 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, 2013.
 - 99.2 Shareholder Letter.
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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, 2013

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, 2013

Commission File No.:
001-34839

Exhibit Number	Description
99.1	Press Release dated November 12, 2013.
99.2	Shareholder Letter.

ELECTROMED, INC.

FOR IMMEDIATE RELEASE

Contact

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

ELECTROMED, INC. REPORTS FISCAL YEAR 2014 FIRST QUARTER RESULTS

New Prague, Minnesota – November 12, 2013 – Electromed, Inc. (NYSE MKT: ELMD) today announced financial results for the three-month period ended September 30, 2013. Net revenues in the first quarter of fiscal 2014 were approximately \$3.4 million, a 15% decrease compared to the same period of fiscal 2013. The Company reported a net loss of approximately \$335,000, or \$0.04 cents per basic and diluted share, for the first quarter of fiscal 2014, compared to a net loss of approximately \$71,000, or one cent per basic and diluted share, for the same period last year.

The decline in total revenues in the first quarter of fiscal 2014 was attributable to lower prices received from health care insurers on the Company's products due to an increased focus on controlling health care costs as well as more rigorous scrutiny by insurers of reimbursement requests for a wide range of medical devices and other health care products. The decline in homecare revenue of approximately \$0.7 million in the first quarter was partially offset by an increase in international and government/institutional revenue of \$100,000 compared to the same period of fiscal 2013.

The larger net loss in the first quarter was primarily due to the lower reported revenue. Gross margins in the first quarter declined slightly to 69% as compared to the same period in the prior year. Operating expenses were essentially flat but rose as a percentage of sales due to the lower revenues in the first quarter of fiscal 2014 as compared to the first quarter of the prior year. The Company had positive operating cash flow of approximately \$740,000 and increased its cash by approximately \$500,000 during the quarter.

Commenting on the Company's first quarter results, Electromed's Chief Executive Officer, Kathleen Skarvan said, "The pressure on our revenue persisted in the first quarter of fiscal 2014. We believe uncertainty surrounding health care reform and the Affordable Care Act and ongoing efforts by health insurers to control costs reduced the adoption of therapy devices like ours during the quarter. However, I am pleased with our team's ability to manage expenses and generate significant cash flow via strong collections during a challenging period. We have developed and are committed to executing on our strategies to increase revenue from the homecare market while continuing to support growth in institutional and international markets."

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:

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Electromed, Inc.
Results for the Three-Months Ended September 30, 2013
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Electromed, Inc. and Subsidiary
Condensed Consolidated Balance Sheets

	September 30, 2013	June 30, 2013
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,077,382	\$ 503,564
Accounts receivable (net of allowances for doubtful accounts of \$45,000)	7,989,355	9,014,043
Inventories	1,432,222	1,379,594
Prepaid expenses and other current assets	460,914	428,843
Income taxes receivable	779,644	538,285
Deferred income taxes	557,000	557,000
Total current assets	12,296,517	12,421,329
Property and equipment, net	3,761,298	3,743,675
Finite-life intangible assets, net	1,049,115	1,080,734
Other assets	304,605	310,089
Total assets	\$ 17,411,535	\$ 17,555,827
Liabilities and Equity		
Current Liabilities		
Current maturities of long-term debt	52,662	57,540
Accounts payable	950,152	643,681
Accrued compensation	334,553	565,023
Warranty reserve	680,000	680,000
Other accrued liabilities	342,169	247,267
Total current liabilities	2,359,536	2,193,511
Long-term debt, less current maturities	1,318,083	1,332,455
Deferred income taxes	103,000	103,000
Total liabilities	3,780,619	3,628,966
Commitments and Contingencies		
Equity		
Common stock, \$0.01 par value; authorized: 13,000,000; shares issued and outstanding: 8,114,252	81,143	81,143
Additional paid-in capital	13,174,398	13,134,938
Retained earnings	375,375	710,780
Total equity	13,630,916	13,926,861
Total liabilities and equity	\$ 17,411,535	\$ 17,555,827

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Electromed, Inc.
Results for the Three-Months Ended September 30, 2013
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Electromed, Inc. and Subsidiary
Condensed Consolidated Statements of Income
(Unaudited)

	For the Three Months Ended	
	September 30,	
	2013	2012
Net revenues	\$ 3,418,178	\$ 4,031,286
Cost of revenues	1,062,346	1,210,452
Gross profit	<u>2,355,832</u>	<u>2,820,834</u>
Operating expenses		
Selling, general and administrative	2,723,927	2,816,015
Research and development	209,108	101,189
Total operating expenses	<u>2,933,035</u>	<u>2,917,204</u>
Operating income (loss)	<u>(577,203)</u>	<u>(96,370)</u>
Interest expense, net of interest income of \$7,398 and \$4,348 respectively	15,202	36,738
Net income (loss) before income taxes	<u>(592,405)</u>	<u>(133,108)</u>
Income tax benefit	257,000	62,000
Net loss	<u>\$ (335,405)</u>	<u>\$ (71,108)</u>
Loss per share:		
Basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
Weighted-average common shares outstanding:		
Basic	<u>8,114,252</u>	<u>8,114,252</u>
Diluted	<u>8,114,252</u>	<u>8,114,252</u>

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

	For the Three Months Ended September 30,	
	2013	2012
Cash Flows From Operating Activities		
Net income (loss)	\$ (335,405)	\$ (71,108)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	122,923	114,979
Amortization of finite-life intangible assets	31,619	33,969
Amortization of debt issuance costs	2,314	3,363
Share-based compensation expense	39,460	41,317
Loss on disposal of property and equipment	18,134	3,915
Changes in operating assets and liabilities:		
Accounts receivable	1,024,688	435,371
Inventories	(52,628)	87,140
Prepaid expenses and other assets	(270,260)	(187,706)
Accounts payable and accrued liabilities	161,138	(347,226)
Net cash provided by (used in) operating activities	741,983	114,014
Cash Flows From Investing Activities		
Expenditures for property and equipment	(148,915)	(197,020)
Expenditures for finite-life intangible assets	—	(27,073)
Net cash used in investing activities	(148,915)	(224,093)
Cash Flows From Financing Activities		
Principal payments on long-term debt including capital lease obligations	(19,250)	(109,801)
Net cash used in financing activities	(19,250)	(109,801)
Net decrease in cash and cash equivalents	573,818	(219,880)
Cash and cash equivalents		
Beginning of period	503,564	1,702,435
End of period	\$ 1,077,382	\$ 1,482,555

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FY 2014 Q1

Letter to Shareholders

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

To our Shareholders



I am pleased to have this opportunity to provide you, our shareholders, a review of Electromed's first quarter of fiscal 2014 as well as an update on the Company's progress, strategies and outlook. Regarding our first quarter fiscal 2014 financial performance, I am not satisfied with the revenues we reported, however, I do see reasons for optimism in the details of the results. Revenues were \$3.4 million compared to \$4.0 million in the first quarter of last year. This revenue decline primarily results from two factors: lower prices we received for our products due to cost reduction pressure from major insurance providers, and challenges getting our products approved for reimbursement by these insurers once the products have been prescribed for a patient. I'll discuss these issues later in this letter. I am encouraged that during the first quarter, gross margins held up well, we generated solid cash flow from operations and we ended the quarter with cash in the bank of over \$1 million.

We reported a first quarter loss of \$335,000, or \$0.04 cents per share. Gross margin of 69% was down just slightly from the first quarter of fiscal 2013 which indicates we managed the costs of manufacturing and delivered our products well. Sales and marketing expense declined in absolute dollar terms compared to the year ago quarter but rose as a percentage of sales due to the lower revenues. As the quarter unfolded, we focused on managing expenses and I'm pleased with the way our team responded to that challenge.

I'd like to provide you with greater insight into the market environment in which we operate and how we are working to overcome the challenges this market presents. It is no secret there is increasing focus across the entire health care market on cost control and cost reduction. As a supplier to that market, we see that every day. The major health insurance providers, including Medicare and Medicaid, are asking for lower prices on nearly everything they cover. The result is pressure on suppliers like Electromed to provide our products at lower prices. This means we have to sell more units to maintain current revenue levels. At the same time, we are seeing more scrutiny on each reimbursement decision adding to the pressure of making more strategic choices on where we sell, in order to improve the chances we will receive reimbursement for each device.

On the patient demand side, there is evidence that uncertainty surrounding health care reform in the U.S., including the rollout of the Affordable Care Act (ACA), has caused some people to delay visits to doctors and clinics for symptoms they are experiencing. However, we believe patients will eventually make these visits as they experience additional symptoms. In the short term, we believe these delays in seeking care have slowed the flow of potential business for us.

We have also seen a lengthening of the period of time required to obtain reimbursement decisions from government entities such as Medicare and Medicaid. This impacts our ability to recognize revenue as we await decisions from the insurers to reimburse for the cost of our devices.

The recent passage of the Sunshine Act by Congress has also impacted our business by limiting access to physicians and other health care decision makers. The Sunshine Act requires the reporting of payments, gifts and other benefits made to health care providers by suppliers of health care products.

One result of this new law has been to limit our ability to offer educational programs about our products, often in a lunch setting (we call them “lunch and learns”). We are actively working with our customers to ensure they do not lose access to this kind of educational opportunity and believe we can continue to provide this resource while fully complying with the new regulations.

While these may seem like difficult challenges, we believe we have the right products, people and processes to be successful in this market. Our product, the SmartVest® System, delivers great technology, ease-of-use and value for patients. Because of its design advantages that provide greater comfort, patients are more likely to continue using the device as prescribed, resulting in fewer adverse outcomes such as secondary infections. The cost of treating these infections is thus avoided, making the SmartVest an attractive choice for patients, providers and insurers. We are confident this is a winning strategy.

We strongly believe the market opportunity for our products will continue to grow as the population ages. Our products can effectively address conditions such as chronic obstructive pulmonary disease (COPD) and other pulmonary conditions that are increasingly affecting this aging population. We believe the Company is in a good position to benefit from these trends.

Looking forward, we continue to have three primary points of focus:

- Generating revenue growth, both domestically and internationally;
- Controlling expenses which, combined with revenue growth, we believe will produce a return to historical levels of profitability; and,
- Reinvigorating our legacy of innovation.

This effort won't be easy and success will require patience, dedication, energy and passion. I am pleased by the spirit I see across the entire organization. We embrace our core purpose: making life's important moments possible – one breath at a time, knowing that what we do makes a major difference in the quality of life of each patient we serve. This purpose isn't a passing fad and it motivates us to succeed every day. We look forward to being successful for our patients, their health care providers, the insurers, our employees and you, our shareholders.

Thank you for your support and I look forward to updating you on our progress as fiscal year 2014 unfolds.

Sincerely,



Kathleen Skarvan
Chief Executive Officer

Testimonial

"I could tell that the representatives of [Electromed] were very dedicated and very caring. That meant a lot to me because customer service is so important. They are keeping us informed, they're responding to our requests, and we can give them constructive feedback. We strive to keep up with equipment that will serve patients' needs for comfort, quality, convenience, and, most importantly, effectiveness. And as clinicians we need to think about ways to prevent readmissions for diseases such as pneumonia and COPD."

Lil O'Neill

Medical Assistant

Registered Respiratory Therapist

Lincoln, Nebraska

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