
**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): February 9, 2016

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 February 9, 2016, the Company issued a press release announcing its financial results for the three and six months ended December 31, 2015. The text of the press release is attached as Exhibit 99.1.

Item 7.01 Regulation FD

On or about February 9, 2016, the Company dispatched a letter from its president and chief executive officer to the Company's shareholders, dated February 9, 2016. The text of the shareholder letter is attached as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

99.1 Press Release dated February 9, 2016.

99.2 Shareholder Letter dated February 9, 2016.

The information contained in Items 2.02 and 7.01 of this Current Report on Form 8-K and Exhibits 99.1 and 99.2 attached hereto, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, and shall not be incorporated by reference into any registration statement pursuant to the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

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: February 9, 2016

ELECTROMED, INC.

By: /s/ Jeremy T. Brock

Name: Jeremy T. Brock

Title: Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release dated February 9, 2016	Furnished Electronically
99.2	Shareholder Letter dated February 9, 2016	Furnished Electronically

ELECTROMED, INC.

FOR IMMEDIATE RELEASE

Contact

Jeremy Brock
Chief Financial Officer
Electromed, Inc.
952-758-9299
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Electromed, Inc. Reports Record \$6 Million Dollar Quarter

Operating Income Increased 180%

New Prague, Minnesota – February 9, 2016 - Electromed, Inc. (NYSE MKT: ELMD) today announced financial results for the three- and six-month periods ended December 31, 2015.

Net revenues for the second quarter of fiscal 2016 were \$6.26 million, a 28.3% or \$1.38 million increase, compared to the second quarter of fiscal 2015. Growth in total net revenues was attributable to strong results in the home care market in which revenue increased by 21.5%, or \$0.97 million, compared to the same period of fiscal 2015. Home care sales, which accounted for nearly 88% of revenues, increased due to a higher number of approvals, a higher conversion rate of referrals to approvals, and a higher average selling price from third party payers, such as insurance companies, Medicare and Medicaid, for the Company's SmartVest[®] products.

The Company reported net income of \$1.07 million, or \$0.13 per basic and diluted share, for the second quarter of fiscal 2016, compared to \$0.42 million, or \$0.05 per basic and diluted share, for the same period of fiscal 2015. The increase in net income was the result of increased revenue and reductions in manufacturing costs year over year. During the second quarter, the Company also released the full valuation allowance on its net deferred tax assets, which positively affected net income by \$288,000.

Gross margins in the second quarter of fiscal 2016 were 78.2%, up from 69.7% in the second quarter of fiscal 2015. The increase in gross profit percentage and gross profit dollars from \$3.40 to \$4.90 million resulted from the increases in domestic home care revenue along with lower manufacturing costs. Operating expenses, which include selling, general and administrative as well as research and development expenses, in the second quarter of fiscal 2016, were \$3.65 million or 58.3% of revenue, compared with \$2.96 million or 60.5% of revenue in the same period of the prior year. The increase was due to a combination of additional employees in the Company's sales and sales support departments, additional expenses related to sales incentives and bonuses based on higher revenue, consulting fees associated with information technology (IT) improvements and outsourcing certain IT services.

Operating income increased 179.3% to \$1.25 million in the second quarter of fiscal 2016, compared with \$0.45 million in the same period of fiscal 2015. Net income increased 152.5%, to \$1.07 million in the second quarter of fiscal 2016 driven by higher net revenues, the improved gross margin and a lower than normalized tax rate of 13.0% in the second quarter.

For the six months ended December 31, 2015, revenue increased 16.7%, to \$11.26 million, compared to the same period of fiscal 2015. Gross margins were 77.8%, up from 69.4% in the same period of the prior year, while net income increased to \$1.41 million, or \$0.17 per basic and diluted share, compared to \$0.80 million or \$0.10 per basic and diluted share in the same period of the prior year.

Electromed, Inc.

Results for the Three-and Six- Months Ended December 31, 2015

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Commenting on the second quarter results, Kathleen Skarvan, President and Chief Executive Officer of the Company said, “We are extremely pleased with our second quarter results as we reported record quarterly net revenues and earnings before tax. Home care sales continue to be positively affected by the combination of higher quality referrals generated by our sales force and strong performance by our reimbursement organization in obtaining reimbursement for both current and older referrals. Our strategy to build stronger synergy between our sales and reimbursement teams is resulting in higher levels of customer service, higher quality referrals and increased proficiency in processing referrals. Our higher sales also were impacted by expanded payer contracting across the United States.

“Our engineering and manufacturing teams continued to make progress in lowering the costs of our key product which helped us to produce record gross margins. Going forward, we will realize a positive impact to operating profit with the recent Consolidated Appropriations Act, 2016 that included a two-year moratorium on the medical device excise tax starting January 1, 2016. Our annualized expense, based on the first two quarters of fiscal 2016, was \$264,000. We believe we have raised the range on the level of net revenues we can generate quarterly. This should, in turn, result in stronger operating income as we expect our revenues will grow more quickly than our expense base. We are increasingly confident that the market for our SmartVest will continue to grow, driven by an aging population, improved diagnostic procedures and growing confidence that HFCWO is an effective therapy for patients with compromised airway clearance.”

About Electromed, Inc.

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

Cautionary Statements

Certain statements in this release constitute forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect 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 “anticipate,” “believe,” “estimate,” “expect,” “will” and similar words. Forward-looking statements in this release include estimated revenue trends, changes in sales opportunities, planned expenses, referral quality and processing, financial performance, profitability and market trends. 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 the Company 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 most recent Annual Report on Form 10-K, as amended from time to time, and subsequent reports on Form 10-Q and Form 8-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:

Electromed, Inc.

Results for the Three-and Six- Months Ended December 31, 2015

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Electromed, Inc.
Condensed Balance Sheets

	December 31, 2015 (Unaudited)	June 30, 2015
Assets		
Current Assets		
Cash	\$ 4,528,580	\$ 3,598,240
Accounts receivable (net of allowances for doubtful accounts of \$45,000)	6,903,378	6,518,816
Inventories	2,393,622	2,072,108
Prepaid expenses and other current assets	341,507	397,833
Total current assets	<u>14,167,087</u>	<u>12,586,997</u>
Property and equipment, net	3,460,979	3,635,516
Finite-life intangible assets, net	948,512	999,842
Other assets	185,375	182,699
Deferred income taxes	288,000	—
Total assets	<u>\$ 19,049,953</u>	<u>\$ 17,405,054</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 48,774	\$ 48,749
Accounts payable	620,922	538,518
Accrued compensation	836,322	700,370
Income tax payable	77,124	122,657
Warranty reserve	640,000	660,000
Other accrued liabilities	207,287	208,983
Total current liabilities	<u>2,430,429</u>	<u>2,279,277</u>
Long-term debt, less current maturities	1,178,375	1,202,446
Total liabilities	<u>3,608,804</u>	<u>3,481,723</u>
Commitments and Contingencies		
Equity		
Common stock, \$0.01 par value; authorized: 13,000,000 shares; 8,187,112 and 8,133,857 issued and outstanding at December 31, 2015 and June 30, 2015, respectively	81,871	81,339
Additional paid-in capital	13,435,952	13,327,320
Retained earnings	1,923,326	514,672
Total shareholders' equity	<u>15,441,149</u>	<u>13,923,331</u>
Total liabilities and shareholders' equity	<u>\$ 19,049,953</u>	<u>\$ 17,405,054</u>

Electromed, Inc.
Condensed Statements of Operations (Unaudited)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2015	2014	2015	2014
Net revenues	\$ 6,262,106	\$ 4,881,723	\$ 11,263,295	\$ 9,652,262
Cost of revenues	1,363,509	1,478,290	2,505,268	2,954,087
Gross profit	4,898,597	3,403,433	8,758,027	6,698,175
Operating expenses				
Selling, general and administrative	3,591,934	2,872,402	6,824,653	5,693,897
Research and development	57,090	83,643	98,634	158,909
Total operating expenses	3,649,024	2,956,045	6,923,287	5,852,806
Operating income	1,249,573	447,388	1,834,740	845,369
Interest expense, net of interest income of \$2,924, \$461 \$3,548 and \$1,673, respectively	17,880	24,677	38,086	45,129
Net income before income taxes	1,231,693	422,711	1,796,654	800,240
Income tax expense	(164,000)	—	(388,000)	—
Net income	\$ 1,067,693	\$ 422,711	\$ 1,408,654	\$ 800,240
Income per share:				
Basic	<u>.13</u>	<u>.05</u>	<u>.17</u>	<u>.10</u>
Diluted	<u>.13</u>	<u>.05</u>	<u>.17</u>	<u>.10</u>
Weighted-average common shares outstanding:				
Basic	<u>8,133,857</u>	<u>8,114,252</u>	<u>8,133,857</u>	<u>8,114,252</u>
Diluted	<u>8,195,389</u>	<u>8,130,245</u>	<u>8,185,196</u>	<u>8,119,575</u>

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

	Six Months Ended December 31,	
	2015	2014
Cash Flows From Operating Activities		
Net income	\$ 1,408,654	\$ 800,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	307,778	308,525
Amortization of finite-life intangible assets	61,272	61,654
Amortization of debt issuance costs	9,327	9,883
Share-based compensation expense	109,164	38,511
Deferred taxes	(288,000)	—
Loss on disposal of property and equipment and intangibles assets	24,965	139,732
Changes in operating assets and liabilities:		
Accounts receivable	(384,562)	(141,593)
Inventories	(290,582)	1,004
Prepaid expenses and other assets	57,843	32,161
Accounts payable and accrued liabilities	151,127	73,961
Net cash provided by operating activities	1,166,986	1,324,078
Cash Flows From Investing Activities		
Expenditures for property and equipment	(181,290)	(285,760)
Expenditures for finite-life intangible assets	(17,790)	(51,073)
Net cash used in investing activities	(199,080)	(336,833)
Cash Flows From Financing Activities		
Principal payments on long-term debt including capital lease obligations	(24,046)	(22,789)
Payment of deferred financing fees	(13,520)	(14,797)
Net cash used in financing activities	(37,566)	(37,586)
Net increase in cash	930,340	949,659
Cash		
Beginning of period	3,598,240	1,502,702
End of period	<u>\$ 4,528,580</u>	<u>\$ 2,452,361</u>

Electromed, Inc.

FY2016 Q2 Letter to Shareholders

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

To Our Shareholders:

I am again pleased and privileged to be writing to you to review the Company's second fiscal quarter financial results, discuss our market opportunity and provide an update on our progress and outlook. The second quarter results set records for net revenues and net income in any quarter since the Company's founding. Net revenues of \$6.3 million were up 28% over the second quarter of the prior fiscal year and we reported net income of \$1.1 million or \$0.13 per basic and diluted share. The strong revenue performance reflects the execution of our growth strategies as well as our strategy to build stronger synergy between our sales and reimbursement teams that is resulting in higher levels of customer service, higher quality referrals and increased proficiency in processing referrals.

Gross profit also reached a record in the second quarter positively leveraging our higher revenue and as our manufacturing team made additional progress in lowering the build cost of the SmartVest SQL®, our high frequency chest wall oscillation (HFCWO) device. Our gross margin was 78% in the second quarter compared to 70% in the prior year's second quarter. The higher gross margin enabled us to produce record gross profit of \$4.9 million in the quarter, a 44% increase over the prior year's second quarter. Operating expenses increased primarily due to costs associated with higher revenue levels, but the rate of increase was lower than the rate of revenue growth, providing positive operating leverage. This led to an increase in income before taxes of \$1.2 million and with a lower than normal income tax rate for the quarter, net income rose 152% to \$1.1 million.

Our results in the second quarter reflect the potential we see in the HFCWO market, particularly related to bronchiectasis, a disease with a high rate of reimbursement approval for the therapy. We estimate the potential domestic incidence of bronchiectasis was 370,000 people in 2015, and growing approximately 9% annually. The market opportunity is growing as the aging U.S. population develops higher incidence of chronic lung diseases, including over 15 million people suffering from chronic obstructive pulmonary disease, (COPD). Although a COPD diagnosis alone does not generally qualify for HFCWO therapy reimbursement by Medicare, we work with physicians to identify those patients with COPD that may require further testing to diagnose additional disease or conditions, such as bronchiectasis, that may be eligible for reimbursement.

By this point, you may reasonably be wondering "is the type of financial performance we produced in the second quarter sustainable?" In short, my answer is "yes". However, it is essential to keep in mind that there is and will be variability in our future financial results from quarter to quarter. We evaluate our financial performance with a longer-term view, over rolling two- to four-quarter periods, in order to smooth some of that variability which is caused by our referral and payer mix as well as other one-time events.

We must continue to execute on our growth strategies: offer the most innovative HFCWO therapy solutions and service for homecare and focus sales efforts on growing the bronchiectasis HFCWO market and our share of the total market. And, we must continue to identify higher quality referral leads, and become more deeply partnered with major clinics and hospitals all while delivering the highest quality patient service. All of those are achievable and I am optimistic that our team is positioned to do just that.

As you might expect, challenges remain, including an ever changing health care landscape marked by changing reimbursement policies and an array of regulations. In addition, competition is always a focus, both from other HFCWO devices as well as from alternative therapies.

We have made great progress putting Electromed on a sustainable profitable revenue growth path. Our SmartVest SQL is effective, comfortable and easy to use, and our people are committed to providing the best patient and provider service in the industry. We are in a great position to leverage the progress we've made and expand the market for our HFCWO device. As always, I am grateful for the support of you, our shareholders, as we strive to move the business forward. I look forward to reporting to you again after the third quarter.



Kathleen S. Skarvan

President and Chief Executive Officer

Cautionary Statements

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