
**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): May 10, 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 May 10, 2016, the Company issued a press release announcing its financial results for the three and nine months ended March 31, 2016. The text of the press release is attached as Exhibit 99.1.

Item 7.01 Regulation FD

On or about May 10, 2016, the Company dispatched a letter from its president and chief executive officer to the Company's shareholders, dated May 10, 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 May 10, 2016.
- 99.2 Shareholder Letter dated May 10, 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: May 10, 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 May 10, 2016	Furnished Electronically
99.2	Shareholder Letter dated May 10, 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 another \$6 Million Quarter

Operating Income Increased 1178%

New Prague, Minnesota – May 10, 2016 - Electromed, Inc. (NYSE MKT: ELMD) today announced financial results for the three- and nine-month periods ended March 31, 2016.

Net revenues for the third quarter of fiscal 2016 were \$6.04 million, a 32.5% or \$1.48 million increase, compared to the third quarter of fiscal 2015. Growth in total net revenues was attributable to strong results in the home care market in which revenue increased by 37.6%, or \$1.46 million, compared to the same period of fiscal 2015. Home care sales, which accounted for nearly 89% 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 \$.47 million, or \$0.06 per basic and diluted share, for the third quarter of fiscal 2016, compared to \$0.04 million, or \$0.00 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.

Gross margins in the third quarter of fiscal 2016 were 76.7%, up from 69.3% in the third quarter of fiscal 2015. The increase in gross profit percentage and gross profit dollars from \$3.16 million to \$4.63 million resulted from the increases in domestic home care revenue and the lower manufacturing costs. Operating expenses, which include selling, general and administrative as well as research and development expenses, in the third quarter of fiscal 2016, were \$3.89 million, or 64.5% of revenue, compared with \$3.10 million, or 68.0% of revenue, in the same period of the prior year. The increase was due to 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 1177.6% to \$.74 million in the third quarter of fiscal 2016, compared with \$0.06 million in the same period of fiscal 2015. Net income increased 1194.6%, to \$0.48 million in the third quarter of fiscal 2016, driven by higher net revenues and the improved gross margin.

For the nine months ended March 31, 2016, revenue increased 21.7%, to \$17.30 million, compared to the same period of fiscal 2015. Gross margins were 77.4%, up from 69.4% in the same period of the prior year, while net income increased to \$1.88 million, or \$0.23 per basic and diluted share, compared to \$0.84 million, or \$0.10 per basic and diluted share, in the same period of the prior year.

Electromed, Inc.

Results for the Three-and Nine- Months Ended March 31, 2016

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Commenting on the results, Kathleen Skarvan, Electromed's President and Chief Executive Officer said, "I am very pleased with our third quarter results as we continued to deliver strong revenue growth and increased profitability. Our reimbursement team again excelled at moving referrals received by patients through the reimbursement process. Our sales organization delivered solid referral results and, during the quarter, we announced the addition of an experienced sales leader as John Kowalczyk joined as Vice President of Sales, leading our domestic sales initiatives."

"In the third quarter, we again delivered improved gross margins which enabled us to drive higher overall profitability. Our net income was fully taxed, suggesting the potential earnings capability of the Company as we continue to grow revenues. We will be subject to normal seasonal and quarter-to-quarter fluctuations in revenue and profitability as we continue to upgrade our sales force, enter new regional markets in the U.S, and invest in product development and enhancements. However, I believe we have made sufficient progress on our strategic objectives to view the recent financial performance of the Company as marking a new level that we believe is generally sustainable moving forward."

About Electromed, Inc.

Electromed, Inc. manufactures, markets, and sells products that provide airway clearance therapy, including the SmartVest® Airway Clearance System, to patients with compromised pulmonary function. It is headquartered in New Prague, Minnesota and founded in 1992. Further information about the Company can be found at www.smartvest.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:

-more-

Electromed, Inc.

Results for the Three-and Nine- Months Ended March 31, 2016

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Electromed, Inc.
Condensed Balance Sheets

	<u>March 31, 2016</u> (Unaudited)	<u>June 30, 2015</u>
Assets		
Current Assets		
Cash	\$ 4,934,112	\$ 3,598,240
Accounts receivable (net of allowances for doubtful accounts of \$45,000)	7,310,731	6,518,816
Inventories	2,325,718	2,072,108
Prepaid expenses and other current assets	442,603	397,833
Income tax receivable	180,785	—
Total current assets	<u>15,193,949</u>	<u>12,586,997</u>
Property and equipment, net	3,388,116	3,635,516
Finite-life intangible assets, net	927,931	999,842
Other assets	160,488	182,699
Deferred income taxes	337,000	—
Total assets	<u>\$ 20,007,484</u>	<u>\$ 17,405,054</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 47,632	\$ 48,749
Accounts payable	668,796	538,518
Accrued compensation	1,255,054	700,370
Income tax payable	—	122,657
Warranty reserve	670,000	660,000
Other accrued liabilities	246,761	208,983
Total current liabilities	<u>2,888,243</u>	<u>2,279,277</u>
Long-term debt, less current maturities	1,167,166	1,202,446
Total liabilities	<u>4,055,409</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 March 31, 2016 and June 30, 2015, respectively	81,871	81,339
Additional paid-in capital	13,480,253	13,327,320
Retained earnings	2,389,951	514,672
Total shareholders' equity	<u>15,952,075</u>	<u>13,923,331</u>
Total liabilities and shareholders' equity	<u>\$ 20,007,484</u>	<u>\$ 17,405,054</u>

Electromed, Inc.

Results for the Three-and Nine- Months Ended March 31, 2016

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Electromed, Inc.
Condensed Statements of Operations (Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2016	2015	2016	2015
Net revenues	\$ 6,035,700	\$ 4,556,977	\$ 17,298,995	\$ 14,209,239
Cost of revenues	1,408,716	1,400,252	3,913,984	4,354,339
Gross profit	4,626,984	3,156,725	13,385,011	9,854,900
Operating expenses				
Selling, general and administrative	3,806,885	3,020,849	10,631,539	8,714,746
Research and development	84,410	78,292	183,043	237,201
Total operating expenses	3,891,295	3,099,141	10,814,582	8,951,947
Operating income	735,689	57,584	2,570,429	902,953
Interest expense, net of interest income of \$4,978, \$371 \$8,525 and \$2,044, respectively	13,064	20,355	51,150	65,484
Net income before income taxes	722,625	37,229	2,519,279	837,469
Income tax expense	(256,000)	—	(644,000)	—
Net income	\$ 466,625	\$ 37,229	\$ 1,875,279	\$ 837,469
Income per share:				
Basic	\$.06	\$.00	\$.23	\$.10
Diluted	\$.06	\$.00	\$.23	\$.10
Weighted-average common shares outstanding:				
Basic	8,133,857	8,114,252	8,133,857	8,114,252
Diluted	8,287,237	8,166,659	8,215,472	8,131,496

Electromed, Inc.

Results for the Three-and Nine- Months Ended March 31, 2016

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

	Nine Months Ended March 31,	
	2016	2015
Cash Flows From Operating Activities		
Net income	\$ 1,875,279	\$ 837,469
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	458,850	459,223
Amortization of finite-life intangible assets	91,815	97,931
Amortization of debt issuance costs	13,672	14,546
Share-based compensation expense	153,465	78,596
Deferred taxes	(337,000)	—
Loss on disposal of property and equipment and intangibles assets	46,515	233,116
Changes in operating assets and liabilities:		
Accounts receivable	(791,915)	98,813
Inventories	(220,417)	(166,368)
Prepaid expenses and other assets	(22,711)	(141,854)
Income tax receivable	(180,785)	—
Accounts payable and accrued liabilities	583,579	319,717
Net cash provided by operating activities	<u>1,670,347</u>	<u>1,831,189</u>
Cash Flows From Investing Activities		
Expenditures for property and equipment	(256,806)	(379,609)
Expenditures for finite-life intangible assets	(27,752)	—
Net cash used in investing activities	<u>(284,558)</u>	<u>(379,609)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt including capital lease obligations	(36,397)	(34,674)
Payment of deferred financing fees	(13,520)	(14,797)
Net cash used in financing activities	<u>(49,917)</u>	<u>(49,471)</u>
Net increase in cash	1,335,872	1,402,109
Cash		
Beginning of period	3,598,240	1,502,702
End of period	<u>\$ 4,934,112</u>	<u>\$ 2,904,811</u>

Electromed, Inc.

FY2016 Q3 Letter to Shareholders

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

To Our Shareholders:

It is once again my pleasure to be writing to you, our Electromed shareholders, to review the Company's third quarter results, market trends and the progress we're making to achieve our strategic objectives. The third quarter of fiscal 2016 was a strong one for the Company as we grew our net revenues 32.5% and increased net income by earnings per share to \$0.06 versus \$0.00, both compared to the third quarter of fiscal 2015. The revenue increase was driven primarily by strong growth in domestic homecare – the largest percentage of our revenue – which consists of SmartVest® systems prescribed to people with chronically compromised airway clearance for use in their homes. We also saw growth in the international segment while the institutional segment, in which our devices are used in hospitals and other similar settings, declined modestly.

Our gross margin improved notably to 76.7% of sales from 69.3% in the third quarter of fiscal 2015 due primarily to higher domestic home care revenues, higher approval percentage on devices shipped, and higher average selling price per unit. Operating expenses, while higher in the third quarter this year compared to last year, increased at a slower rate than revenues, providing additional operating leverage. We expect operating expenses to continue to increase in the coming quarters as we expand our domestic sales force approximately 20%, provide our customers valued device features and continue to enhance our superior service model and world-class reimbursement support.

We are seeing positive trends in several aspects of our business that are leading to strong revenue growth in recent quarters and, particularly, in the third quarter. First, our reimbursement processes improved, which has resulted in a higher conversion of referrals (prescriptions for our device) into reimbursement approvals for the SmartVest system by a third-party payer. Second, we continue to focus on sales execution and have seen solid improvements in certain territories we are working to expand. While we manage to that objective, we have experienced some sales turnover, although we expect minimal impact to the number of referrals we generate in future quarters. We view this turnover as largely incidental to the larger goal of increased sales productivity by growing referrals with existing clinicians as well as deeper penetration of new accounts.

Recently we began communicating to clinicians the results of a detailed third-party study, which compared the oscillatory trough pressures delivered by three high frequency chest wall oscillation (HFCWO) systems, including the SmartVest SQL® Airway Clearance System, and determined the difference in decompression between systems. The results are encouraging, indicating the SmartVest system consistently delivers lower oscillatory trough pressure and greater percent decompression, or the difference between oscillatory peak and trough pressures during oscillation cycles. This difference “may allow a patient to breathe more easily during HFCWO therapy¹, and may lead to a more comfortable treatment.” These results are being shared with clinicians through our sales team, bolstering the case for the SmartVest system as the ideal choice for HFCWO therapy.

The progress substantiating the benefits of HFCWO therapy and the SmartVest system is critical to grow referrals in the adult pulmonology market, our primary focus. As the population ages, the occurrence of chronic respiratory conditions, including COPD (chronic obstructive pulmonary disease) and bronchiectasis, continues to increase. In particular, bronchiectasis, which is characterized by the chronic, abnormal widening of one or more of the bronchi, often leads to recurring respiratory infections. Improved identification and diagnosis of bronchiectasis is leading to more frequent prescriptions for HFCWO therapy, a trend, we believe, is likely to continue.

¹ Milla CE, Hansen LG, Weber A, Warwick WJ. High-frequency chest compression: effect of the third generation compression waveform. Biomed Instrum Technol 2004;38:322–8.

Another factor differentiating Electromed is our commitment to, and delivery of, exceptional patient service. We understand that using HFCWO therapy can change a patient's life for the better and we also understand that for certain patients, additional support may be needed to maintain adherence to prescribed therapy. That is why our patient services team is so critical to growing our business, by taking the time and effort to support each patient. We hear over and over what a difference that is making for our patients. We believe it is another differentiator for Electromed and one of which we are very proud.

I am honored to lead the Electromed team and to see every day their commitment to our patients, our products and our success; they deserve great credit for their persistence and dedication. I am also grateful for the support of you, our shareholders.



Kathleen S. Skarvan

President and Chief Executive Officer

Cautionary Statements

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