SCHICK TECHNOLOGIES INC
Form 10-Q
August 13, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004.

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ____________.

Commission file number: 000-22673

SCHICK TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	11-3374812 (I.R.S. Employer Identification Number)
30-00 47th Avenue Long Island City, New York (Address of principal executive offices)	11101 (Zip Code)

Registrant's telephone number, including area code: (718) 937-5765

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes |_| No |X|

As of August 9, 2004, 15,048,167 shares of common stock, par value $.01 per share, were outstanding.

SCHICK TECHNOLOGIES, INC.

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PART I. Financial Information

Item 1. Financial Statements

Schick Technologies, Inc. and Subsidiary
Consolidated Balance Sheets
(In thousands, except share amounts)

	June 30,	Mar
	2004	

	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 24,518	$
Accounts receivable, net of allowance for doubtful accounts of $138	2,722	
Inventories	3,165	
Prepayments and other current assets	552	
Deferred income taxes	6,594	
Total current assets	37,551	
Equipment, net	1,339	
Goodwill, net	266	
Deferred income taxes	4,393	
Other assets	279	
Total assets	$ 43,828	$
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued expenses	$ 1,627	$
Accrued salaries and commissions	701	
Income taxes payable	166	
Deposits from customers	24	
Warranty obligations	270	
Deferred revenue	3,843	
Total current liabilities	6,631	
Commitments and contingencies	--	
Stockholders' equity		
Preferred stock ($0.01 par value; 2,500,000 shares authorized; none issued and outstanding)	--	
Common stock ($0.01 par value; 50,000,000 shares authorized: 15,046,394 and 15,026,470 shares issued and outstanding, respectively)	150	
Additional paid-in capital	44,996	
Accumulated deficit	(7,949)	
Total stockholders' equity	37,197	
Total liabilities and stockholders' equity	$ 43,828	$

The accompanying footnotes are an integral part of these consolidated financial statements

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Schick Technologies, Inc. and Subsidiary
Consolidated Statements of Operations (unaudited)
(In thousands, except share and per share amounts)

	Three months ended June 30, 2004	Three months ended June 30, 2003
Revenue, net	$ 10,881	$ 8,676
Cost of sales	3,209	2,629
Gross profit	7,672	6,047
Operating expenses:		
Selling and marketing	1,456	1,435
General and administrative	1,985	1,580
Research and development	1,112	842
Bad debt expense	--	75
Total operating costs	4,553	3,932
Income from operations	3,119	2,115
Other income (expense)		
Other income	--	101
Interest income	93	20
Interest expense	--	(169)
Total other income (expense)	93	(48)
Income before income taxes	3,212	2,067
Provision for income taxes	1,413	88
Net income	$ 1,799	$ 1,979
Basic earnings per share	$ 0.12	$ 0.19
Diluted earnings per share	$ 0.10	$ 0.12
Weighted average common shares (basic)	15,027,703	10,229,697
Weighted average common shares (diluted)	17,209,736	16,536,892

The accompanying footnotes are an integral part of these consolidated financial statements

Schick Technologies, Inc. and Subsidiary
Consolidated Statements of Cash Flows (unaudited)
(In thousands)

	Three months ended June 30, 2004	2003
Cash flows from operating activities		
Net income	$ 1,799	$ 1,97
Adjustments to reconcile net income to net cash provided by operating activities		
Deferred taxes	1,173	(5
Tax benefit of stock options exercised	26	-
Depreciation and amortization	169	29
Gain from repayment of long-term debt	--	(5
Provision for doubtful accounts	--	7
Amortization of deferred financing charges	--	15
Non-cash compensation	307	8
Changes in assets and liabilities:		
Accounts receivable	1,260	40
Inventories	(108)	(21
Prepayments and other current assets	320	(7
Other assets	(6)	(3
Accounts payable and accrued expenses	(518)	(1
Income taxes payable	24	5
Deposits from customers	11	(3
Warranty obligations	60	6
Deferred revenue	(661)	53
Net cash provided by operating activities	3,856	3,17
Cash flows from investing activities		
Proceeds from short-term investments	--	4
Capital expenditures	(98)	(8
Net cash used in investing activities	(98)	(4
Cash flows from financing activities		
Net proceeds from issuance of common stock	26	10
Payment of long-term debt	--	(1,45
Net cash provided by (used in) financing activities	26	(1,34
Net increase in cash and cash equivalents	3,784	1,78
Cash and cash equivalents at beginning of period	20,734	7,10
Cash and cash equivalents at end of period	$ 24,518	$ 8,88
Interest paid	$ --	$ 2
Income taxes paid	$ 150	$ -

The accompanying footnotes are an integral part of these consolidated financial statements

Schick Technologies, Inc. and Subsidiary
Notes to Consolidated Financial Statements (unaudited)
(in thousands, except share and per share amounts)

1. Basis of Presentation

The consolidated financial statements of Schick Technologies, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information and the rules of the Securities and Exchange Commission (the "SEC") for quarterly reports on Form 10-Q, and do not include all of the information and footnote disclosures required by US GAAP for complete financial statements. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended March 31, 2004 included in the Company's Annual Report on Form 10-K.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation of results of operations for the interim periods. The results of operations for the three months ended June 30, 2004 are not necessarily indicative of the results to be expected for the full year ending March 31, 2005.

The consolidated financial statements of the Company, at June 30, 2004, include the accounts of the Company and its wholly owned subsidiary. All significant intercompany balances have been eliminated.

Stock-based compensation

At June 30, 2004, the Company has stock-based compensation plans. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation", the Company accounts for stock-based compensation arrangements with employees under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation.

	Three months en 2004
Net income, as reported	$ 1,799
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	175
Proforma net income	$ 1,624
Earnings per share:	
Basic - as reported	$ 0.12

Basic - proforma	$ 0.11
Diluted - as reported	$ 0.10
Diluted - proforma	$ 0.09

Recently Issued Accounting Standards

Revenue Recognition

In November 2002, the Emerging Issues Task Force reached a consensus opinion of EITF 00-21, "Revenue Arrangements with Multiple Deliverables". That consensus provides that revenue arrangements with multiple deliverables should be divided into separate units of accounting if certain criteria are met. The consideration of the

arrangement should be allocated to the separate units of accounting based on their relative fair values, with different provisions if the fair values of all deliverables are not known or if the fair value is contingent on delivery of specified items or performance conditions. Applicable revenue criteria should be considered separately for each separate unit of accounting. EITF 00-21 was effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Entities may elect to report the change as a cumulative effect adjustment in accordance with APB Opinion No. 20, "Accounting Changes." The adoption of EITF 00-21 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

2. Inventories

Inventories, net of reserves, are comprised of the following:

	June 30,	March 31,
	2004	
Raw materials	$2,308	$2,088
Work-in-process	176	246
Finished goods	681	723
Total inventories	$3,165	$3,057

3. Earnings Per Share

Basic earnings per share are calculated by dividing net income by the average number of common shares outstanding during the period. Diluted earnings per share are calculated by dividing net income by the average number of common shares outstanding assuming dilution, the calculation of which assumes that all stock options and warrants whose exercise prices are less than the average market price during the quarter are exercised at the beginning of the period and the proceeds used by Schick Technologies, Inc. to purchase shares at the average market price for the period. The following is the reconciliation from basic to diluted shares for the three months ended June 30, 2004 and 2003:

	Three months ended June 30,	
	2004	2003

Basic shares	15,027,703	10,229,697
Dilutive:		
Options	1,392,634	1,357,608
Warrants	789,399	4,949,587
Diluted shares	17,209,736	16,536,892

The Company excluded 133,239 and 497,260 options from the computation of diluted earnings per share for the three months ended June 30, 2004 and 2003, respectively, because they are anti-dilutive.

4. Contingencies, Commitments and Other

Product Liability

The Company is subject to the risk of product liability and other liability claims in the event that the use of its products results in personal injury or other claims. Although the Company has not experienced any product liability claims to date, any such claims could have an adverse impact on the Company. The Company maintains insurance coverage related to product liability claims, but there can be no assurance that product or other claims will not exceed its insurance coverage limits, or that such insurance will continue to be available on commercially acceptable terms, or at all.

SEC Investigation and other

In August 1999, the Company, through its outside counsel, contacted the Division of Enforcement of the Securities and Exchange Commission ("SEC") to advise it of certain matters related to the Company's restatement of earnings for interim periods of fiscal 1999. Subsequent thereto, the SEC requested the voluntary production of certain documents and the Company provided the SEC with the requested materials. On August 17, 2000 and April 30, 2003, the SEC served subpoenas upon the Company, pursuant to a formal order of investigation, requiring the production of certain documents. The Company timely provided the SEC with the subpoenaed materials. The Company has been informed that since January 2002 the SEC and/or the United States Attorney's Office for the Southern District of New York have served subpoenas upon and/or contacted certain individuals, including current and former officers and employees of the Company, and a current Director, in connection with this matter. On June 13, 2002, the Company was advised by counsel to David Schick, the Company's former chief executive officer, that the United States Attorney's Office for the Southern District of New York had notified such counsel that Mr. Schick was a target of the United States Attorney's investigation of this matter. The Company has cooperated with the SEC staff and U.S. Attorney's Office.

On November 14, 2003, the SEC filed a civil action in the United States District Court for the Eastern District of New York against the Company, its former chief executive officer, and its former vice president of sales and marketing. The SEC complaint alleges fraud, books and records violations, and reporting violations under Sections 10(b), 13(a) and 13(b)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and various rules promulgated thereunder in connection with the financial statements included in the Company's reports on Form 10-Q for the quarters ended June 30, September 30 and December 31, 1998. The SEC complaint seeks to enjoin the Company from future violations of those provisions of the Exchange Act and the rules thereunder, as well as disgorgement of any ill-gotten gains, which the Company does not believe to be material in amount. With respect to the other defendants, the complaint seeks injunctive relief, civil penalties, disgorgement and an officer/director bar.

In September 2003, the Board of Directors appointed a Special Litigation Committee, consisting of four non-employee Directors, which has oversight responsibility and authority with respect to the SEC/U.S. Attorney matter. The Company has had discussions with the SEC's northeast regional office in an effort to resolve the complaint against the Company. There can be no assurance that those discussions will continue and/or will be successful. The Company will continue to incur significant legal fees and may incur indemnification costs. However, the Company believes that the magnitude of such expenditures will not adversely affect its ongoing business operations.

The Company cannot predict the potential outcome of these matters and their impact on the Company and, therefore, has made no provision relating to these matters in the accompanying consolidated financial statements.

Litigation

The Company may be a party to a variety of legal actions (in addition to that referred to above), such as employment and employment discrimination-related suits, employee benefit claims, breach of contract actions, tort claims and intellectual property related litigation. In addition, because of the nature of its business, the Company is subject to a variety of legal actions relating to its business operations. Recent court decisions and legislative activity may increase the Company's exposure for any of these types of claims. In some cases, substantial punitive damages may be sought. The Company currently has insurance coverage for some of these potential liabilities. Other potential liabilities may not be covered by insurance, insurers may dispute coverage, or the amount of insurance may not be sufficient to cover the damages awarded. In addition, certain types of damages, such as punitive damages, may not be covered by insurance and insurance coverage for all or certain forms of liability may become unavailable or prohibitively expensive in the future.

Employment Agreements and Termination of Employment Arrangements

In May 2004, the Company entered into a Consulting and Non-Competition Agreement with David Schick, effective upon Mr. Schick's resignation in June 2004 as the Company's Chief Executive Officer and Chairman of the Board. The Agreement provides for Mr. Schick to act as a consultant to the Company for a period of three years.

It also provides that during the term of the Agreement, and for a period of two years thereafter, Mr. Schick may not compete with the Company, solicit Company employees, customers or vendors, or disclose any of the Company's proprietary information. Pursuant to the Agreement, Mr. Schick is to be compensated, in full payment for the consulting services to be rendered to the Company and for his non-competition and other covenants contained in the Agreement, in the amount of $28,333 per month for a period of 36 months. In addition, the Agreement provides that 66,307 unvested employee stock options held by Mr. Schick continue to vest.

In June 2004, the Company entered into a three-year employment agreement with Jeffrey T. Slovin. Pursuant to the Agreement, Mr. Slovin is employed as the Company's Chief Executive Officer and President. Mr. Slovin's annual base salary is $325,000, $337,000 and $350,000, respectively, during each year of the initial 3-year term of the Agreement. In addition to base salary, Mr. Slovin is eligible to receive a yearly bonus payment based on the Company's year-over-year

Earnings-Per-Share growth, as defined in the Agreement. Pursuant to the Agreement, Mr. Slovin was also awarded 400,000 employee stock options which vest in equal monthly increments over a period of 48 months. Additionally, under the Agreement, all Company stock options held by Mr. Slovin will immediately vest in the event that the Company has a change in control or is acquired by another company or entity, or, under certain circumstances, if Mr. Slovin is terminated from employment without cause. In addition, if Mr. Slovin is terminated without cause, the Agreement provides that he shall receive severance payments equal to 12 months' salary and, if applicable, a pro-rated bonus.

In June 2004, the Company entered into a two-year employment agreement with Michael Stone. Pursuant to the Agreement, Mr. Stone is employed as the Company's Executive Vice President of Sales and Marketing. Mr. Stone's annual base salary is $250,000 and $260,000, respectively, during each year of the 2-year term of the Agreement. In addition to base salary, Mr. Stone is eligible to receive a yearly bonus payment based on the Company's year-over-year Earnings-Per-Share growth, as defined in the Agreement. Pursuant to the Agreement, Mr. Stone was also awarded 150,000 employee stock options which vest in equal monthly increments over a period of 48 months. Additionally, under the Agreement, all Company stock options held by Mr. Stone will immediately vest in the event that the Company has a change in control or is acquired by another company or entity, or, under certain circumstances, if Mr. Stone is terminated from employment without cause. In addition, if Mr. Stone is terminated without cause, the Agreement provides that he shall receive severance payments equal to 12 months' salary and, if applicable, a pro-rated bonus.

Other

Sales to a single customer approximated 55% and 57% of net revenue for the three months ended June 30, 2004 and 2003, respectively. Amounts due from that customer approximated 63% and 58% of net accounts receivable at June 30, 2004 and March 31, 2004, respectively, substantially all of which have been collected subsequent to those dates.

5. Income Taxes

For the three months ended June 30, 2004, the Company recorded a charge for income taxes in the amount of $1.4 million, consisting of a non cash charge for deferred income tax expense of $1.2 million, and alternative minimum tax and current state taxes of $0.2 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. The words or phrases "believes", "may", "should", "will likely result", "estimates", "projects", "anticipates", "expects" or similar expressions and variations thereof are intended to identify such forward-looking statements. Actual results, events and circumstances could differ materially from those set forth in such statements due to various factors. Such factors include risks and uncertainties relating to the SEC action and U.S. Attorney investigation regarding the Company and certain individuals; the Company's dependence on its products, its exclusive North American distributor, its foreign distributors, its key personnel and key suppliers; the possibility of changing economic and competitive conditions; technological developments; competition; market uncertainties; fluctuation in results and seasonality;

litigation; control of the Company by certain stockholders; and other risks and uncertainties, including those detailed in the Company's filings with the Securities and Exchange Commission.

General

The Company designs, develops and manufactures digital imaging systems for the worldwide dental and medical markets. In the field of dentistry, the Company currently manufactures and markets a variety of digital imaging products including intra-oral digital radiography systems (CDR(R) and CDR Wireless(TM)), a digital panoramic radiography sensor (CDRPan(R)) an integrated digital panoramic radiography device (CDRPanX(TM)) and an intra-oral camera system (USBCam(TM)). The Company has also developed a bone mineral density assessment device (accuDEXA(R)) to assist in the diagnosis and treatment of osteoporosis, which was introduced in December 1997.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect amounts reported in the accompanying consolidated financial statements and related footnotes. These estimates and assumptions are evaluated on an ongoing basis based on historical developments, market conditions, industry trends and other information the Company believes to be reasonable under the circumstances. There can be no assurance that actual results will conform to the Company's estimates and assumptions, and that reported results of operations will not be materially adversely affected by the need to make accounting adjustments to reflect changes in these estimates and assumptions from time to time. The following policies are those that the Company believes to be the most sensitive to estimates and judgments.

Accounts Receivable

The Company reports accounts receivable net of reserves for uncollectible accounts. The Company primarily sells on open credit terms to its exclusive domestic distributor, Patterson Dental Company ("Patterson") and to the U.S. Government, and upon signed purchase orders to hospitals and universities. The majority of the Company's accounts receivable (63% and 58%, at June 30, 2004 and March 31, 2004, respectively) are due from Patterson. The Company's international sales are generally prepaid, guaranteed by irrevocable letter of credit or underwritten by credit insurance. In a limited number of cases, international dealers are granted open credit terms. Warranty shipments are prepaid. Revenue from customers is subject to agreements allowing limited rights of return. Accordingly, the Company reduces revenue recognized for estimated future returns. The estimate of future returns is adjusted periodically based upon historical rates of return. The Company provides an allowance for doubtful accounts based upon its analysis of aged accounts receivable.

Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market value. Cost is determined principally on the standard cost method for manufactured goods and on the average cost method for other inventories, each of which approximates actual cost on the first-in, first-out method. The Company establishes reserves for inventory estimated to be obsolete, unmarketable or slow moving inventory equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those anticipated or if changes in technology affect the Company's products, additional inventory reserves may be required.

Revenue Recognition

The Company recognizes revenue when each of the following four criteria is met: 1) a contract or sales arrangement exists; 2) products have been shipped and title has been transferred or services have been rendered; 3) the price of the products or services is fixed or determinable; and 4) collectibility is reasonably assured. Revenues from sales of the Company's hardware and software products are recognized at the time of shipment to customers, and when no significant obligations exist and collectibility is probable. The Company provides its exclusive

domestic distributor with a 30-day return policy but allows for an additional 15 days, and accordingly recognizes allowances for estimated returns pursuant to such policy at the time of shipment. Revenue from shipments to foreign customers is recognized at the time of shipment in accordance with foreign sales orders. With respect to products shipped to its exclusive domestic distributor, the Company defers revenue until Patterson ships such inventory from its distribution centers. Amounts received from customers in advance of product shipment are classified as deposits from customers. The Company records as revenue shipping and handling charges invoiced to customers. The cost of shipping and handling is recorded in cost of sales. Revenues from the sale of extended warranties on the Company's products are recognized on a straight-line basis over the life of the extended warranty, which is generally a one-year period. Deferred revenues relate to extended warranty fees paid by customers prior to the performance of extended warranty services, to certain shipments to Patterson and to the 90-day exchange program for CDR(R) wireless.

Warranties

The Company records a liability for an estimate of costs that it expects to incur under its basic limited warranty when product revenue is recognized. Factors affecting the Company's warranty liability include the number of units sold and historical and anticipated rates of claims and costs per claim. The company periodically assesses the adequacy of its warranty liability based on changes in these factors.

The following table reconciles warranty liability for the three months ended June 30, 2004 and 2003:

	2004	2003
Beginning balance	$ 210	$ 56
Warranties charged in period ...	622	603
Warranties paid in period	(562)	(561)
Balance end of period	$ 270	$ 98

The Company records revenues on extended warranties on a straight-line basis over the term of the related warranty contracts (generally one year). Deferred revenues related to extended warranty were $2.3 and $2.4 million at June 30, 2004 and March 31, 2004, respectively. Services costs are expensed as incurred.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or the entire deferred tax asset will not be realized.

Goodwill and Other Intangible Assets

Effective April 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", which established financial accounting and reporting for acquired goodwill and other intangible assets and superseded Accounting Principles Board Opinion ("APB") No. 17, "Intangible Assets". Under SFAS No. 142 goodwill and indefinite-lived purchased intangible assets are no longer amortized but are reviewed at least annually for impairment. The Company has elected to perform this review annually as of February 28.

Identifiable intangible assets that have finite lives continue to be amortized over their estimated useful lives. Other intangible assets include costs incurred to secure patents and deferred financing costs, and are included in other assets. Finite-lived purchased intangible assets are amortized principally by the straight-line method over their expected period of benefit. Costs incurred to secure patents are amortized by the straight-line method over periods of five years.

Long-lived assets and intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Contractual Obligations and Commercial Commitments

The following table summarizes contractual obligations and commercial commitments at June 30, 2004:

	PAYMENTS DUE BY PERIOD			
CONTRACTUAL OBLIGATIONS	Total	Less Than 1 year	1-3 years	4-5 years
Operating leases	$1,533	$ 491	$1,042	--
Consulting and non-compete agreement	1,007	340	667	
Employment agreements	1,498	576	922	--
Purchase obligations	1,868	1,773	95	--
Total Contractual Cash Obligations	$5,906	$3,180	$2,726	$ --

Results of Operations

Net revenues for the three months ended June 30, 2004 increased $2.2 million (25%) to $10.9 million from $8.7 million in fiscal 2004. The increase was due to increased sales of the CDR(R) radiography and intraoral camera products. CDR(R) product sales increased $2.1 million (29%) to $9.4 million (87% of the Company's net revenues) from $7.3 million (84% of the Company's net revenues) in fiscal 2004. The Company believes that the increase in sales is a result of growing acceptance of its products by dental customers and sales of the Company's new panoramic product. CDR(R) warranty revenue for the three months ended June 30, 2004 was unchanged at $1.2 million. Domestic product revenue for the three months ended June 30, 2004 increased $0.9 million (17%) to $6.4 million from $5.5 million in fiscal 2004. International revenue for the three months ended June 30, 2004 increased $1.2 million (62%) to $3.2 million from $2.0 million in fiscal 2004.

Cost of sales for the three months ended June 30, 2004 increased $0.6 million (22%) to $3.2 million (29.5% of net revenue) from $2.6 million (30.3% of net revenue) in fiscal 2004. The decrease in the relative total cost of sales (0.8%) was due to improved manufacturing efficiency.

Selling and marketing expenses for the three months ended June 30, 2004 increased $21 (2%) to $1.5 million (13% or net revenue) from $1.4 million (17% of net revenue) in fiscal 2004. Increases were primarily related to trade show and travel expenses.

General and administrative expenses for the three months ended June 30, 2004, increased $0.4 million (26%) to $2.0 million (18% of net revenue) from $1.6 million (18% of net revenue) in fiscal 2004. The increase in general and administrative expenses was primarily attributable to a non-cash charge to payroll and increases in insurance costs, and legal and consulting fees.

Research and development expenses for the three months ended June 30, 2004 increased $0.3 million (32%) to $1.1 million (10% of net revenue) from $0.8 million (10% of net revenue) in fiscal 2004. The increase was attributable to increases in payroll, consulting costs and research and development materials.

Income from operations for the three months ended June 30, 2004 increased $1.0 million (48%) to $3.1 million from $2.1 million in the same period of fiscal 2004.

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Income before income taxes for the three months ended June 30, 2004 increased $1.1 million (55%) to $3.2 million from $2.1 million in the same period of fiscal 2004.

Interest expense for the three months ended June 30, 2004 decreased $0.2 million. In June 2003 the Company repaid the balance of notes payable and wrote off the balance of deferred finance costs related to that note ($150).

For the three months ended June 30, 2004, the Company is not required to pay income taxes (other than alternative minimum tax and certain state and local taxes) due to the partial utilization of its net operating loss ("NOL") carryforwards. For the first quarter of fiscal 2005, the Company utilized approximately $2.5 million of these NOL carryforwards to offset current taxable income. The Company recorded a charge for income tax for the quarter in the amount of $1.4 million, consisting of a non-cash charge for deferred income tax expense of $1.2 million, and alternative minimum tax and current state income taxes of $0.2 million. Because the Company's deferred tax valuation allowance was eliminated during fiscal 2004, the income tax benefit associated with the NOL had been fully recorded as of March 31, 2004. In subsequent quarters, if the Company continues to generate earnings, it will continue to utilize its available NOL and record a charge for deferred income tax expense. As of June 30, 2004, the Company had NOL carryforwards of $14.8 million available to offset future taxable income during the carryforward period (which expires between 2019 and 2021).

As a result of the above items, the Company's net income decreased $0.2 million (9%) to $1.8 million (17% of revenue) for the three months ended June 30, 2004 from $2.0 million (23% of revenue) in fiscal 2004.

Liquidity and Capital Resources

At June 30, 2004, the Company had $24.5 million in cash and cash equivalents and working capital of $30.9 million, as compared to $20.7 million in cash and cash equivalents and working capital of $27.4 million at March 31, 2004.

During the three months ended June 30, 2004 cash provided by operations was $3.9 million as compared to $3.2 million during the same period in fiscal 2004. Increases in cash were primarily provided by improved operating performance. Sales to a single customer approximated 55% and 57% of net revenue for the three months ended June 30, 2004 and 2003, respectively. Amounts due from that customer approximated 63% and 58% of net accounts receivable at June 30, 2004 and March 31, 2004, respectively, substantially all of which have been collected subsequent to those dates. The decrease in net accounts receivable is the result of cash collections during the three months ended June 30, 2004. Capital expenditures remained unchanged at $0.1 million in the first quarter of fiscal 2005 and 2004. The Company repaid its term notes in full during June 2003.

Future expenses relating to the legal proceedings described in Part II, Item 1, "Legal Proceedings," to the extent not covered by insurance, could affect the Company's cash position. Management believes that its existing capital resources and potential sources of credit are adequate to meet its current cash requirements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

None

Item 4. Controls and Procedures

a) Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company has evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2004.

They have concluded that these disclosure controls provide reasonable assurance that the Company can collect, process and disclose, within the time periods specified in the SEC's rules and forms, the information required to be disclosed in its periodic Exchange Act reports.

b) There have been no significant changes in the Company's internal controls or in other factors that could significantly affect its internal controls subsequent to the date of their most recent evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and/or certain of its former officers are involved in the matters described below:

In August 1999, the Company, through its outside counsel, contacted the Division of Enforcement of the Securities and Exchange Commission ("SEC") to advise it of certain matters related to the Company's restatement of earnings for interim periods of fiscal 1999. Subsequent thereto, the SEC requested the voluntary production of certain documents and the Company provided the SEC with the requested materials. On August 17, 2000 and April 30, 2003, the SEC served subpoenas upon the Company, pursuant to a formal order of investigation, requiring the production of certain documents. The Company timely provided the SEC with the subpoenaed materials. The Company has been informed that since January 2002 the SEC and/or the United States Attorney's Office for the Southern District of New York have served subpoenas upon and/or contacted certain individuals, including current and former officers and employees of the Company, and a current Director, in connection with this matter. On June 13, 2002, the Company was advised by counsel to David Schick, the Company's former chief executive officer, that the United States Attorney's Office for the Southern District of New York had notified such counsel that Mr. Schick was a target of the United States Attorney's investigation of this matter. The Company has cooperated with the SEC staff and U.S. Attorney's Office.

On November 14, 2003, the SEC filed a civil action in the United States District Court for the Eastern District of New York against the Company, its former chief executive officer, and its former vice president of sales & marketing. The SEC complaint alleges fraud, and books and records and reporting violations under Sections 10(b), 13(a) and 13(b)(2) of the Exchange Act and various rules promulgated thereunder in connection with the financial statements included in the Company's reports on Form 10-Q for the quarters ended June 30, September 30 and December 31, 1998. The SEC complaint seeks to enjoin the Company from future violations of those provisions of the Exchange Act and the rules thereunder, as well as disgorgement of any ill-gotten gains, which the Company does not believe to be material in amount. With respect to the other defendants, the complaint seeks injunctive relief, civil penalties, disgorgement and an officer/director bar.

In September 2003, the Board of Directors appointed a Special Litigation Committee, consisting of four non-employee Directors, which has oversight responsibility and authority with respect to the SEC/U.S. Attorney matter. The Company promptly commenced discussions with the SEC's northeast regional office in an effort to resolve the complaint against the Company. There can be no assurance that those discussions will continue and/or will be successful. The Company will continue to incur significant legal fees and may incur indemnification costs. However, the Company believes that the magnitude of such expenditures will not adversely affect its ongoing business operations.

The Company cannot predict the potential outcome of these matters and their impact on the Company and, therefore, has made no provision relating to these matters in the accompanying consolidated financial statements.

Item 2. Changes in Securities and Use of Proceeds

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C.ss. 1350.

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C.ss. 1350.

(b) Reports on Form 8-K

1. A Form 8-K was filed on June 9, 2004 and reported on the Company's press release, which announced that Jeffrey T. Slovin was named to the position of President and Chief Executive Officer of the Company, that David B. Schick had resigned as the Company's CEO and from its Board of Directors, and that William K. Hood was elected Chairman of the Board of Directors, in Item 5, "Other Events," of said Form 8-K.

2. A Form 8-K was filed on June 9, 2004 and reported on the Company's press release, which announced its fiscal 2004 year-end conference call to report the Company's fiscal fourth quarter and year-end financial results, in Item 5, "Other Events," of said Form 8-K.

3. A Form 8-K was filed on June 15, 2004 and reported on the Company's press release, which announced its financial results for the fourth quarter and fiscal year ended March 31, 2004, in Item 12, "Results of Operations and Financial Condition," of said Form 8-K.

SCHICK TECHNOLOGIES, INC.

SIGNATURE

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 thereunto duly authorized.

SCHICK TECHNOLOGIES, INC.

Date: August 13, 2004

By: /S/ Jeffrey T. Slovin

Jeffrey T. Slovin
Chief Executive Officer

By: /S/ Ronald Rosner

Ronald Rosner
Director of Finance and Administration (Principal Financial Officer)