**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 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): **September 10, 2015**

# MGC Diagnostics Corporation

(Exact name of registrant as specified in its charter)

**Minnesota**
(State or other jurisdiction of incorporation)

| | |
|---|---|
| **001-13543** | **41-1579150** |
| (Commission File Number) | (IRS Employer Identification No.) |

| | |
|---|---|
| **350 Oak Grove Parkway**<br>**Saint Paul, Minnesota** | **55127-8599** |
| (Address of principal executive offices) | (Zip Code) |

**(651) 484-4874**
(Registrant's telephone number, including area code)

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 (see General Instruction A.2. below):

☐ 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))

**Section 2 – Financial Information**

**Item 2.02 Results of Operations and Financial Condition**

On September 10, 2015, MGC Diagnostics Corporation (the "Company") issued a press release reporting the results of its operations for its third fiscal quarter ended July 31, 2015. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K.

The information provided pursuant to Item 2.02 of this Form 8-K is being furnished and is not "filed" for purposes of Section 18 of the Securities Act of 1934, and may not be deemed incorporated by reference in any filing under the Securities Act of 1933, except as expressly set forth by specific reference in that filing.

**Section 9 – Financial Statements and Exhibits**

## Item 9.01 Financial Statements and Exhibits

(d) Exhibits

The following is furnished as an Exhibit to this Report:

| Exhibit No. | Description of Exhibit |
|---|---|
| 99.1 | Press release dated September 10, 2015, reporting results for the fiscal 2015 third quarter ended July 31, 2015. |

## 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.

**MGC DIAGNOSTICS CORPORATION**

Dated: September 10, 2015

By: /s/ Wesley W. Winnekins
Wesley W. Winnekins
Chief Financial Officer

 **Exhibit 99.1**

MGC Diagnostics Corporation
350 Oak Grove Parkway
Saint Paul, MN 55127
Telephone: (651) 484-4874
Facsimile: (651) 484-4826

**FOR IMMEDIATE RELEASE**

# MGC Diagnostics Corporation Reports Fiscal 2015 Third Quarter Results

**Third Quarter Fiscal 2015 Highlights:**

- Third quarter 2015 revenue increased by 40.1% to $9.2 million, compared to $6.6 million in the prior year period. Third quarter revenue includes $1.4 million from MediSoft.
- Operating income was $423,000 for the third quarter, compared to an operating loss of ($817,000) in the fiscal 2014 third quarter. For the quarter, Medical Graphics had operating income of $513,000 and MediSoft had an operating loss of ($90,000).
- Service revenue increased by 3.4% to $1.7 million in the fiscal third quarter compared to $1.6 million in the prior year period.
- Sales backlog of $2.3 million ($1.9 million for Medical Graphics and $400,000 for MediSoft) at the end of the quarter, compared to $2.1 million at the end of the second quarter of fiscal year 2015.
- Gross margin of 48.7% in the third quarter includes gross margin for Medical Graphics of 50.3%, and MediSoft gross margin of 39.9%.
- Operating expenses were $4.1 million in the third quarter ($3.5 million for Medical Graphics and $600,000 for MediSoft), compared to Medical Graphics-only expenses of $4.5 million in the prior year quarter.
- Medical Graphics recognized a tax benefit of $3.1 million in the third quarter due to the partial reversal of the valuation allowance on deferred tax assets primarily related to its net operating loss carryforwards.
- The Company realized net income of $3.4 million for the 2015 third quarter, or $0.80 per diluted share, compared to net loss of ($889,000), or ($0.21) per diluted share in the prior year period. For the quarter, Medical Graphics had net income of $3.6 million and MediSoft had a net loss of ($169,000), a 35.5% decrease from MediSoft's 2015 second quarter net loss of ($262,000).

**SAINT PAUL, MN (September 10, 2015)** — MGC Diagnostics Corporation (NASDAQ: MGCD), a global medical technology company, today reported financial results for the third quarter ended July 31, 2015.

- 2015 third quarter domestic equipment, supplies and accessories revenues were $5.2 million, compared to $3.9 million the 2014 third quarter, a 32.4% increase. During the quarter, competitive account conversions totaled 14 accounts, or $614,000 in revenue, compared to 10 accounts, or $620,000 in revenue for the same quarter last year, and MediSoft contributed domestic revenues of $111,000 from its U.S. distributor. Excluding the effect of revenues from competitive conversions and domestic MediSoft revenue, in each period, Medical Graphics domestic equipment and accessories revenue grew 56.3% in the fiscal 2015 third quarter, compared to the same quarter last year.

- Domestic service revenues, which are entirely attributed to Medical Graphics, increased 3.4% to $1.7 million, compared to $1.6 million for the same quarter last year. The Attachment Rate, which reflects the percentage of Extended Service Contracts that were sold during customer equipment purchases, was 25.4% for the fiscal 2015 third quarter.

- International equipment, supplies and accessories revenues grew 126.2% to $2.4 million, compared to $1.0 million for the fiscal 2014 third quarter, due primarily to the $1.3 million of revenues contributed by MediSoft from international markets. Excluding MediSoft revenues, Medical Graphics international equipment, supplies and accessories revenues increased 2.8% due to higher sales in the Asia Pacific market.

"We are pleased with our third quarter results as revenue and operating income grew compared to our second quarter results. The 2015 second quarter release of our Ultima Series ™ cardiorespiratory diagnostic system is being well received by the market. During the 2015 third quarter, we shipped twenty-four Ultima Series ™ systems, which contributed to a 28.3% increase in domestic equipment revenue compared to our 2015 second quarter, and our pipeline for this product continues to build. We have good sales momentum and a solid sales pipeline as we head into the fourth quarter," said Todd M. Austin, chief executive officer.

**Fiscal 2015 Third Quarter**

- Gross margin for the quarter was 48.7% (50.3% for Medical Graphics and 39.9% for MediSoft), compared to 55.7% in the fiscal 2014 third quarter for Medical Graphics. Gross margin for equipment, supplies and accessories was 44.9% for the quarter (46.0% for Medical Graphics and 39.9% for MediSoft), compared to 51.8% for Medical Graphics in the prior year's quarter. Gross margin for services was 66.0% for the quarter, compared to 67.5% for the same period last year.

- During the quarter, Medical Graphics wrote off $266,000 of capitalized software development costs for its Breeze/WebReview product. The write-off is due to management's belief that future product sales will be insufficient to support the carrying value of the asset, which was therefore deemed to be impaired. The write-off reduced 2015 third quarter Medical Graphics' total gross margin by 340 basis points, and Medical Graphics' gross margin for equipment, supplies and accessories by 430 basis points.

- Third quarter 2015 general and administrative expenses totaled $1.2 million, or 13.2% of revenue, compared to $1.7 million, or 26.2% of revenue in the comparable quarter last year. This decrease is primarily due to $809,000 of lower Medical Graphics general and administrative expenses, partially offset by MediSoft general and administrative expenses of $302,000.

- Sales and marketing expenses were $2.1 million, or 22.8% of revenue, compared to $2.0 million, or 30.3% of revenue in the 2014 third quarter. This increase is primarily due to MediSoft sales and marketing expenses of $191,000, partially offset by $88,000 of lower Medical Graphics sales and marketing expenses.

- Research and development expenses were $694,000, or 7.5% of revenue in the fiscal 2015 third quarter, down from $750,000, or 11.4% of revenue in last year's third quarter. This decrease is primarily due to $162,000 of lower Medical Graphics research and development expenses, partially offset by MediSoft research and development expenses of $106,000.

- The acquisition of MediSoft increased the Company's exposure to currency translation risks due to its investment in Euro-denominated assets and the earnings derived from MediSoft's operations. The Company structured the capitalization of its Belgium holding company with a combination of debt and equity to obtain potential tax savings on the future profitability of MediSoft. In the fiscal 2015 third quarter, due to the United States dollar gaining strength against the Euro, we reported a non-cash, foreign currency translation loss of $50,000 in the consolidated statements of comprehensive income (loss) as foreign currency loss. Additionally, pertaining to the net asset position for assets and liabilities of MediSoft, we also incurred a non-cash, foreign currency translation gain of $5,000, which is included in the consolidated balance sheets as accumulated other comprehensive loss, and in the consolidated statements of comprehensive income (loss) as other comprehensive loss.

Austin continued, "Medisoft's third quarter results showed an improvement over its second quarter. Revenue remained flat at $1.4 million, but its gross margin improved to 39.9% and operating expenses decreased $100,000 compared to the second quarter. These improvements lowered Medisoft's operating loss to $90,000, a $194,000 improvement compared to its second quarter operating loss of $284,000. The measures we have taken to improve Medisoft's performance are showing gratifying results, and we expect that Medisoft will continue to show additional improvement as we finish the year."

"Finally, we are particularly delighted with the results of our Medical Graphics subsidiary. Third quarter revenue is up 18.9% and 7.6% compared to the same quarter last year and this year's second quarter, respectively. Our 2015 year-to-date revenue is 12.4% ahead of the first three quarters of fiscal 2014. And our 2015 nine-month revenue is $356,000 ahead of the revenue reported for the first three quarters of fiscal 2013, a year we posted revenue of $31.6 million, the best result Medical Graphics has had since fiscal 2007. Although gross margin experienced some pressure the past two quarters, we expect to see margins rebound in the near term. Also, 2015 year-to-date operating income of $1.6 million is higher than operating income of $1.4 million that we generated during all of fiscal 2013, which was Medical Graphics' best result since 2007. We remain enthusiastic about our business strategies, the state of the pulmonary diagnostic market and the value of our products, services and market positioning. We are optimistic that we will finish the year strong," concluded Austin.

**Net Operating Loss Carry Forwards**

At October 31, 2014, the Company, through its Medical Graphics subsidiary, had federal net operating loss carryforwards of approximately $13.0 million, not subject to IRC annual limitations on use. These loss carryforwards will expire in years 2018 through 2034. Net operating loss carryforwards from the Company's international tax jurisdictions were approximately $3.0 million. These loss carryforwards do not expire.

The Company regularly evaluates both positive and negative evidence related to retaining a valuation allowance against these deferred tax assets. The realization of deferred tax assets is dependent upon sufficient future taxable income during the periods when deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

In the 2015 third quarter Medical Graphics recognized a tax benefit of $3.1 million due to the partial reversal of the valuation allowance on deferred tax assets that are primarily related to its net operating loss carryforwards. This recognition was based on the assessment of all available evidence, including (i) previous three-year cumulative income before infrequent and unusual items, (ii) a history of generating income before taxes for the past two years and (iii) Company estimates of future Medical Graphics profitability, resulting in a Company determination that it was more-likely-than-not that the Company would be able to realize a portion of our deferred tax assets in the future and a decision to record the non-cash partial reversal of our deferred tax asset valuation allowance. The Company's balance sheet at July 31, 2015 reflects this tax benefit as approx. $1.1 million of current and $2.0 million of non-current deferred tax assets.

**Conference Call**

The Company has scheduled a conference call for Thursday, September 10, 2015 at 4:30 p.m. ET to discuss its financial results for the third quarter of fiscal year 2015.

Participants can dial (877) 317-6789 (877) 317-6789 FREE or (412) 317-6789 (412) 317-6789 to access the conference call, or listen via a live Internet webcast on the Company's website at

www.mgcdiagnostics.com. A replay of the conference call will be available by dialing (877) 344-7529

(877) 344-7529 FREE or (412) 317-0088 (412) 317-0088, confirmation code 10071731, through September 17, 2015. A webcast replay of the conference call will be accessible on the Company's website at www.mgcdiagnostics.com for 90 days.

**About MGC Diagnostics**

MGC Diagnostics Corporation (NASDAQ: MGCD), is a global medical technology company dedicated to cardiorespiratory health solutions. The Company, through its Medical Graphics Corporation and MediSoft SA subsidiaries, develops, manufactures and markets non-invasive diagnostic systems. This portfolio of products provides solutions for disease detection, integrated care, and wellness across the spectrum of cardiorespiratory healthcare. The Company's products are sold internationally through distributors and in the United States through a direct sales force targeting heart and lung specialists located in hospitals, university-based medical centers, medical clinics, physicians' offices, pharmaceutical companies, medical device manufacturers, and clinical research organizations (CROs). For more information about MGC Diagnostics, visit www.mgcdiagnostics.com.

**Cautionary Statement Regarding Forward Looking Statements**

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investing public, MGC Diagnostics Corporation may make forward-looking statements concerning possible or anticipated future financial performance, business activities or plans that include the words "believes," "expects," "anticipates," "intends" or similar expressions. For these forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in federal securities laws. These forward-looking statements are subject to a number of factors, risks and uncertainties, including those disclosed in our periodic filings with the SEC, which could cause actual performance, activities or plans after the date the statements are made to differ significantly from those indicated in the forward-looking statements. For a list of these factors, see the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward Looking Statements," in the Company's Form 10-K for the year ended October 31, 2014, and any updates in subsequent filings on Form 10-Q or Form 8-K under the Securities Exchange Act of 1934.

**Contacts**


| Company | Investors | Media |
|---|---|---|
| Wesley W. Winnekins | Joe Dorame, Robert Blum, Joe Diaz | Al Galgano, David Heinsch |
| MGC Diagnostics Corporation<br>Chief Financial Officer | Lytham Partners, LLC | PadillaCRT |
| | (602) 889-9700 (602) 889-9700 | (612) 455-1700 (612) 455-1700 |
| (651) 484-4874 (651) 484-4874 | mgcd@lythampartners.com | Al.Galgano@padillacrt.com<br>David.heinsch@padillacrt.com |


(Financial Tables to Follow)

**MGC DIAGNOSTICS CORPORATION AND SUBSIDIARIES**
**Consolidated Balance Sheets**
**July 31, 2015 and October 31, 2014**
(In thousands, except share and per share data)

| | July 31, 2015 (Unaudited) | October 31, 2014 (Revised) |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 5,407 | $ 5,675 |
| Accounts receivable, net of allowance for doubtful accounts of $198 and $228, respectively | 7,093 | 7,068 |
| Inventories, net of obsolescence reserve of $319 and $387, respectively | 6,243 | 5,548 |
| Current deferred tax assets | 1,199 | 171 |
| Prepaid expenses and other current assets | 2,080 | 2,425 |
| Total current assets | 22,022 | 20,887 |
| Property and equipment, net of accumulated depreciation of $4,510 and $4,180, respectively | 2,863 | 3,469 |
| Intangible assets, net | 4,176 | 4,375 |
| Goodwill | 3,310 | 3,810 |
| Non-current deferred tax assets | 2,021 | — |
| Other non-current assets | 9 | 14 |
| **Total Assets** | $ 34,401 | $ 32,555 |
| **Liabilities and Shareholders' Equity** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ 2,879 | $ 3,161 |
| Employee compensation | 1,348 | 1,664 |
| Deferred income | 3,613 | 3,804 |
| Current portion of long-term debt | 785 | 786 |
| Other current liabilities and accrued expenses | 1,573 | 1,416 |
| Total current liabilities | 10,198 | 10,831 |
| **Long-term liabilities:** | | |
| Long-term debt, less current portion | 2,354 | 2,947 |
| Non-current deferred income taxes | 69 | 518 |
| Long-term deferred income and other | 3,038 | 2,814 |
| **Total Liabilities** | 15,659 | 17,110 |
| **Commitments and Contingencies** | | |
| **Shareholders' Equity:** | | |
| Common stock, $0.10 par value, authorized 25,000,000 shares, 4,308,100 and 4,255,593 shares issued and 4,260,707 and 4,198,558 shares outstanding in 2015 and 2014, respectively | 426 | 420 |
| Undesignated shares, authorized 5,000,000 shares, no shares issued and outstanding | — | — |
| Additional paid-in capital | 23,919 | 23,470 |
| Accumulated deficit | (5,367) | (8,331) |
| Accumulated other comprehensive loss | (236) | (114) |
| **Total Shareholders' Equity** | 18,742 | 15,445 |
| **Total Liabilities and Shareholders' Equity** | $ 34,401 | $ 32,555 |

**MGC DIAGNOSTICS CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Comprehensive Income (Loss)**
(In thousands, except per share data)

| | Three Months ended July 31, 2015 | Three Months ended July 31, 2014 | Nine Months Ended July 31, 2015 | Nine Months Ended July 31, 2014 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Equipment, supplies and accessories revenues | $ 7,567 | $ 4,980 | $ 21,902 | $ 15,737 |
| Service revenues | 1,672 | 1,617 | 5,010 | 4,591 |
| | 9,239 | 6,597 | 26,912 | 20,328 |
| **Cost of revenues** | | | | |
| Cost of equipment, supplies and accessories revenues | 4,171 | 2,399 | 11,613 | 7,435 |
| Cost of service revenues | 569 | 526 | 1,506 | 1,513 |
| | 4,740 | 2,925 | 13,119 | 8,948 |
| **Gross margin** | 4,499 | 3,672 | 13,793 | 11,380 |
| **Operating expenses:** | | | | |
| Selling and marketing | 2,105 | 2,002 | 6,357 | 5,902 |
| General and administrative | 1,222 | 1,730 | 4,310 | 4,160 |
| Research and development | 694 | 750 | 2,238 | 2,014 |
| Amortization of intangibles | 55 | 7 | 168 | 20 |
| | 4,076 | 4,489 | 13,073 | 12,096 |
| **Operating income** | 423 | (817) | 720 | (716) |
| Interest expense, net | 65 | 4 | 197 | 4 |
| Foreign currency loss | 50 | 58 | 958 | 58 |
| **Income (loss) before taxes** | 308 | (879) | (435) | (778) |
| (Benefit from) provision for taxes | (3,115) | 10 | (3,399) | 46 |
| **Net income (loss)** | $ 3,423 | $ (889) | $ 2,964 | $ (824) |
| **Other comprehensive income (loss), net of tax** | | | | |
| Effect of foreign currency translation adjustments | 5 | (20) | (122) | (20) |
| **Comprehensive income (loss)** | $ 3,428 | $ (909) | $ 2,842 | $ (844) |
| **Income (loss) per share:** | | | | |
| Basic | $ 0.81 | $ (0.21) | $ 0.70 | $ (0.20) |
| Diluted | $ 0.80 | $ (0.21) | $ 0.70 | $ (0.20) |
| **Weighted average common shares outstanding:** | | | | |
| Basic | 4,251 | 4,187 | 4,227 | 4,162 |
| Diluted | 4,260 | 4,187 | 4,242 | 4,162 |

**MGC DIAGNOSTICS CORPORATION AND SUBSIDIARIES**
**Consolidated Statements of Cash Flows**
(In thousands)

| | Nine Months ended July 31, 2015 | Nine Months ended July 31, 2014 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 2,964 | $ (824) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 342 | 243 |
| Amortization | 546 | 105 |
| Stock-based compensation | 353 | 334 |
| Deferred income taxes | (3,461) | — |
| Loss on foreign currency | 965 | — |
| (Decrease) increase in allowance for doubtful accounts | (30) | 82 |
| (Decrease) increase in inventory obsolescence reserve | (68) | 76 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (122) | 3,230 |
| Inventories | (710) | (1,601) |
| Prepaid expenses and other current assets | (141) | (250) |
| Accounts payable | (151) | 1,051 |
| Employee compensation | (272) | (811) |
| Deferred revenue | 123 | 494 |
| Other current liabilities and accrued expenses | 227 | (254) |
| Net cash provided by operating activities | 565 | 1,875 |
| | | |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment and intangible assets | (607) | (986) |
| Net assets of business acquired, net of cash received | 447 | — |
| Net cash used in investing activities | (160) | (986) |
| | | |
| **Cash flows from financing activities:** | | |
| Proceeds from long-term borrowing | — | 4,000 |
| Payment of debt issuance costs | (5) | (73) |
| Payment on long-term borrowings | (600) | — |
| Dividends paid | — | (29) |
| Proceeds from issuance of common stock under employee stock purchase plan | 118 | 138 |
| Repurchase of common stock upon vesting of restricted stock awards | (48) | (122) |
| Repurchase of common stock | — | (4) |
| Net cash (used in) provided by financing activities | (535) | 3,910 |
| Effect of exchange rates on cash | (138) | (20) |
| **Net (decrease) increase in cash and cash equivalents** | (268) | 4,779 |
| **Cash and cash equivalents at beginning of period** | 5,675 | 10,574 |
| **Cash and cash equivalents at end of period** | $ 5,407 | $ 15,353 |
| | | |
| Cash paid for taxes | $ 32 | $ 71 |
| Cash paid for interest | 134 | — |
| **Supplemental non-cash items:** | | |
| Current and non-current liabilities issued for leasehold improvements | $ — | $ 33 |
| Common stock issued for long-term liability | 33 | — |
| Accrued dividends (reversal) | — | (4) |