

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): October 28, 2004

DIGIRAD CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	000-50789 (Commission File Number)	33-0145723 (I.R.S. Employer Identification Number)
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13950 Stowe Drive
Poway, California 92064
(Address of Principal Executive Offices) (Zip Code)

(858) 726-1600
(Registrant's telephone number, including area code)

(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 (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))

Item 2.02. Results of Operations and Financial Condition.

On November 1, 2004, Digirad Corporation issued a press release announcing financial results for the three and nine months ending September 30, 2004. A copy of this press release is attached hereto as Exhibit 99.1. This information and the exhibits hereto, are being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

(d) On October 28, 2004, Gary Burbach was appointed by Digirad Corporation's board of directors to serve as a director. This appointment by the remaining board of directors was based on the recommendation of our corporate governance committee. Mr. Burbach was recommended to our corporate governance committee by existing members of our board of directors, and has been determined by our board of directors to be independent, as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards. Mr. Burbach's appointment fills a vacancy on our board of directors, increasing the number of directors from six to seven. Also on October 28, 2004, Mr. Burbach was appointed to our corporate governance committee in the place of Ray Dittamore, who was appointed to our compensation committee.

In his capacity as a director, Mr. Burbach will be compensated in a manner consistent with other non-employee directors. Mr. Burbach will be paid \$4,000 for attending in-person board meetings and \$500 for attending board meetings telephonically. As a member of our corporate governance committee, Mr. Burbach will be paid \$1,000 for attending in-person committee meetings and \$500 for attending telephonic committee meetings. In addition, Mr. Burbach will be granted an option to purchase 10,000 shares of our common stock.

We issued a press release on November 1, 2004 announcing Mr. Burbach's appointment to our board of directors, a copy of which is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No. -----	Description -----
99.1	Press release dated November 1, 2004.

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.

DIGIRAD CORPORATION

November 1, 2004

By: /s/ Todd P. Clyde

Todd P. Clyde
Chief Financial Officer

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Press release dated November 1, 2004.

Digirad Third Quarter Revenues Rose 23% to \$17.2 Million

POWAY, Calif.--(BUSINESS WIRE)--Nov. 1, 2004--Digirad Corporation (Nasdaq:DRAD):

- Second Consecutive Quarter of Positive Net Income
- Gary Burbach Named to Board

Digirad Corporation (Nasdaq:DRAD), a leader in providing solid-state medical imaging products and services to physician offices, hospitals and imaging centers, today reported financial results for the three and nine months ended September 30, 2004.

For the third quarter of 2004, total revenues rose 23% to \$17.2 million, compared with total revenues of \$14.0 million in the third quarter of 2003. Product revenues, which include sales of gamma cameras, accessories and maintenance contract revenues, reached a record \$6.2 million, up 24% from \$5.0 million a year ago. Third quarter revenues for Digirad Imaging Solutions' (DIS) mobile leasing services rose 22% to \$11.0 million, compared with \$9.0 million for the third quarter of the prior year.

For the quarter ended September 30, 2004, gross profit increased 32% to \$5.8 million, or 33% of revenue, from \$4.3 million, or 31% of revenue in the prior-year period. This increase is a result of higher revenues, reductions in camera production costs and a decrease in per unit warranty costs. Operating expenses for the quarter increased 36% to \$5.4 million, compared with \$4.0 million for the comparable 2003 period. The increase in operating expenses was due to higher research and development costs incurred in developing new products, additional sales headcount and various general and administrative costs required to operate as a public company.

Net income for the third quarter of \$0.4 million compared with net income of \$47,000 for the third quarter of 2003. When calculated on a pro forma basis to account for the conversion of all preferred stock into common stock in Digirad's initial public offering, net income per diluted share for the third quarter of 2004 was \$0.02, compared with the pro forma net income per share of \$0.00 for the comparable 2003 period. This marks the second consecutive quarter of profitability.

"The continuing market demand for our products and services is evidenced by our strong third quarter revenue growth over the third quarter of 2003, including the record revenues from sales in our product segment and our second consecutive quarter of profitability," said David Sheehan, President and CEO of Digirad. "We continued our leadership as innovators in the industry with the September introduction of the Cardius(TM)-3, the first and only triple-head gamma camera designed specifically for cardiac imaging. We believe the launch of the Cardius-3, which allows for faster image acquisition times and improved workflow for the physician, was a significant event for Digirad. Feedback from the unveiling and product demonstration at the American Society of Nuclear Cardiology's 9th Annual Scientific Session was very positive.

"The planned expansion of our sales force continued during the quarter with the addition of five new sales representatives, bringing us to 32 total reps," commented Sheehan. "We are on track to have 35 to 40 sales professionals by the end of 2004."

The Company reported cash and cash equivalents and short-term investments of \$57.8 million as of September 30, 2004.

Year-to-Date Financial Results

Comparing revenues for the first nine months of 2004 with the first nine months of 2003, total revenues rose 23% to \$50.4 million. DIS revenues rose 29% to \$32.7 million and product revenues increased 12% to \$17.7 million.

Gross margin for the first nine months of 2004 increased to 32%, up from 28% for the first nine months of 2003. Nine-month operating expenses increased 27% to \$15.5 million, compared with \$12.2 million for the comparable 2003 period. Net income for the first nine months of 2004 totaled \$0.2 million, compared with a net loss of \$1.7 million in the prior-year period. When calculated on a pro forma basis to account for the conversion of all preferred stock into common stock in Digirad's initial public offering, net income per diluted share for the 2004 nine-month period was \$0.01, compared with the pro forma net loss per share of \$0.13 for the comparable 2003 period.

Financial Guidance

Digirad today reaffirmed 2004 financial guidance previously provided on August 9, 2004. Although third quarter DIS revenues were adversely affected by physician office closures due to the hurricanes

on the East Coast and a higher number of DIS customers purchasing cameras, Digirad continues to anticipate 2004 total revenues to be between \$67 million and \$70 million.

Operating expenses for 2004 will reflect increases in investments to continue the Company's growth, including DIS sales force expansion through the end of the year, as well as ongoing investments in research and development and higher general and administrative costs associated with operating as a public company. The Company anticipates 2004 net income will range from \$0.2 million to \$0.5 million, or \$0.01 to \$0.03 on a per-share diluted basis. The Company expects quarterly results and growth rates to continue to fluctuate, based on seasonality stemming from physician vacations, holidays and inclement weather.

This guidance is based on information and expectations as of November 1, 2004. These and other statements herein are forward looking, and actual results could differ dramatically. Please see the "Forward-Looking Statements" portion of this press release for a description of certain risk factors and Digirad's filings with the Securities and Exchange Commission for a more complete discussion of risks.

Digirad Bolsters Board with Additional Nuclear Medicine and Device Expertise

On October 28, 2004, Gary F. Burbach was appointed to the Company's board of directors. Mr. Burbach currently serves as President and CEO of Bacchus Vascular, a developer of catheter-based medical devices for the removal of blood clots. He held the position of CEO of Philips Nuclear Medicine, a division of Philips Electronics, from 2001 to 2003 and, before its acquisition by Phillips, worked for four years for ADAC Laboratories, most recently as president and general manager of its nuclear medicine division. Mr. Burbach holds an M.B.A. from Harvard Business School and a B.S. in industrial engineering from Stanford University.

Conference Call Information

Management will be hosting an investment community conference call beginning at 4:45 p.m. Eastern Time (1:45 p.m. Pacific Time) today to discuss this announcement and to answer questions.

Individuals interested in listening to the conference call may do so by dialing 877-815-7177 for domestic callers, or 706-634-1178 for international callers. A telephone replay will be available for 48 hours following the conclusion of the call by dialing 800-642-1687 for domestic callers, or 706-645-9291 for international callers, and entering reservation code 1502671.

The live conference call also will be available via the Internet on the investor relations section of the Company's Web site at www.digirad.com. A recording of the call will be available on the Company's Web site for one year following the completion of the call.

About Digirad

Digirad Corp. develops, manufactures and markets solid-state, medical imaging products and services to physician offices, hospitals and imaging centers. Digirad offers a comprehensive line of solid-state nuclear gamma cameras that can be used for the detection of various medical conditions, including cardiovascular disease. Digirad believes that its imaging systems produce a high-quality image; and, due to their lightweight, compact design, they fit easily within small office spaces and allow the delivery of nuclear imaging procedures in a wide range of clinical settings -- physician offices, outpatient clinics or within multiple departments in hospitals.

Through its wholly owned subsidiaries, Digirad Imaging Solutions and Digirad Imaging Systems, Digirad also offers a comprehensive, mobile imaging leasing and services program for physicians who wish to perform nuclear cardiology procedures in their offices but do not have the patient volume, capital or resources to justify purchasing a gamma camera. Digirad Corp., Digirad Imaging Solutions and Digirad Imaging Systems are headquartered in Poway. For more information, please visit www.digirad.com.

Forward-Looking Statements

Digirad cautions that statements included in this press release that are not a description of historical facts are forward-looking statements. Forward-looking statements give expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in

connection with a discussion of future operating or financial performance or events. In particular, these include statements relating to future actions, prospective products, services or market opportunities, future performance or results of current and anticipated products or services, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. The inclusion of forward-looking statements should not be regarded as a representation by Digirad that any of its plans will be achieved. Actual results may differ materially from those set forth in this press release due to the risks and uncertainties inherent in Digirad's business, including, without limitation: the degree to which Digirad's existing imaging systems and services will be accepted by physicians and hospitals; Digirad's ability to compete against large, well-established competitors with significantly greater resources; any unforeseen changes in domestic and international legislation, regulation or coverage and reimbursement policies of third-party payors; Digirad's ability to timely develop new products, product enhancements and services that are accepted by the market; Digirad's lack of a diversified line of products and services; any technical problems that may develop with respect to Digirad's imaging systems, including the Cardius-3, or any manufacturing or supply problems or price fluctuations that may affect Digirad's third-party suppliers; the ability of Digirad to effectively market, sell and distribute its imaging systems, including the Cardius-3, and services given its limited capabilities in these areas; Digirad's ability to retain and attract key executives, qualified managers, engineers and imaging technologists; Digirad's ability to manage risks relating to product liability, warranty claims, recalls, property damage and personal injury with respect to its imaging systems, including the Cardius-3; Digirad's reliance on a limited number of customers for its products and imaging services; Digirad's compliance with extensive and complex product service and reimbursement regulations, licensure and reporting requirements of the Food and Drug Administration and other state and federal agencies, including with respect to the DIS business, those that are subject to variable interpretations; Digirad's ability to protect its intellectual property and proprietary technology through patents and other means and defend against claims by third parties; and other risks detailed in Digirad's Securities and Exchange Commission filings, including its Prospectus filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended, with the Securities and Exchange Commission on June 10, 2004.

Given these uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. All forward-looking statements are qualified in their entirety by this cautionary statement and Digirad undertakes no obligation to revise or update this press release, including the forward-looking statements contained herein, to reflect events or circumstances after the date hereof or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Digirad(R) and Digirad Imaging Solutions(R) are registered trademarks of Digirad Corporation. Cardius(TM) is a trademark of Digirad Corporation.

Digirad Corporation
Consolidated Statements of Operations
(Unaudited)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2004	2003	2004	2003
Revenues:				
DIS	\$ 11,023,280	\$ 9,020,629	\$ 32,725,167	\$ 25,287,141
Product	6,200,614	5,001,105	17,656,629	15,726,083
Total revenues	17,223,894	14,021,734	50,381,796	41,013,224
Cost of revenues:				
DIS	7,701,999	6,295,078	22,476,022	18,024,458
Product	3,673,598	3,346,180	11,296,904	11,318,326
Stock-based compensation	96,016	35,788	342,022	66,917
Total cost of revenues	11,471,613	9,677,046	34,114,948	29,409,701
Gross profit	5,752,281	4,344,688	16,266,848	11,603,523

Operating expenses:				
Research and development	871,822	483,677	2,196,889	1,658,679
Sales and marketing	1,851,590	1,405,463	5,491,422	4,387,889
General and administrative	2,521,167	1,927,521	7,164,327	5,761,908
Amortization and impairment of intangible assets	16,076	142,131	48,228	355,789
Stock-based compensation	172,190	32,810	609,462	63,169
Total operating expenses	5,432,845	3,991,602	15,510,328	12,227,434
Income (loss) from operations				
	319,436	353,086	756,520	(623,911)
Other income (expense):				
Interest income	236,978	7,864	278,771	27,898
Interest expense	(176,433)	(314,075)	(788,475)	(1,079,236)
Other	6,154	--	(23,588)	--
Total other income (expense)	66,699	(306,211)	(533,292)	(1,051,338)
Net income (loss)	386,135	46,875	223,228	(1,675,249)
Accretion of deferred issuance costs on preferred stock				
	--	(78,154)	(161,335)	(247,610)
Net income (loss) applicable to common stockholders				
\$	386,135	\$ (31,279)	\$ 61,893	\$ (1,922,859)
Net income (loss) per common share:				
Historical -- basic and diluted				
\$	0.02	\$ (2.05)	\$ 0.01	\$ (134.97)
Pro forma -- basic				
\$	0.02	\$ --	\$ 0.02	\$ (0.13)
Pro forma -- diluted				
\$	0.02	\$ --	\$ 0.01	\$ (0.13)
Shares used in computing historical net income (loss) per common share:				
Weighted average shares outstanding -- basic				
	18,011,393	15,244	7,387,755	14,247
Weighted average shares outstanding -- diluted				
	19,391,569	15,244	16,124,892	14,247
Shares used in computing pro forma net income (loss) per common share:				
Weighted average shares outstanding -- basic				
	18,011,393	12,459,515	14,745,317	12,458,518
Weighted average shares outstanding -- diluted				
	19,391,569	13,671,122	16,124,892	12,458,518

(1) As a result of the conversion of our preferred stock into 12.4 million shares of our common stock upon completion of our initial public offering in June 2004, there is a lack of comparability in the basic and diluted net income (loss) per share amounts for the periods presented above.

Digirad Corporation
Consolidated Balance Sheets

	Sept. 30, 2004 (Unaudited)	Dec. 31, 2003
Assets		
Currents assets:		
Cash and cash equivalents	\$ 28,254,594	\$ 7,681,407
Short-term investments	29,528,656	--
Accounts receivable, net	10,149,169	12,195,031
Inventories, net	5,210,780	3,709,321
Other current assets	1,419,914	854,170
Total current assets	74,563,113	24,439,929
Property and equipment, net	10,931,018	10,087,030
Intangibles, net	508,861	511,832
Restricted cash	120,000	120,000
Total assets	\$ 86,122,992	\$ 35,158,791
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 2,839,849	\$ 3,036,209
Accrued compensation	1,947,784	1,893,336
Accrued warranty	1,313,571	1,051,242
Other accrued liabilities	3,826,158	2,647,741
Deferred revenue	2,190,662	1,514,488
Current portion of notes payable to stockholders	--	245,000
Current portion of debt	2,381,187	11,473,619
Total current liabilities	14,499,211	21,861,635
Deferred rent	322,357	--
Notes payable to stockholders, net of current portion	--	490,000
Long-term debt, net of current portion	2,685,368	4,232,071
Commitments and contingencies:		
Redeemable convertible preferred stock, \$0.0001 par value: no shares and 46,023,000 shares authorized at Sept. 30, 2004, and Dec. 31, 2003, respectively; no shares and 43,555,313 shares issued and outstanding at Sept. 30, 2004 (unaudited), and Dec. 31, 2003, respectively	--	84,277,992
Stockholders' equity (deficit):		
Preferred stock, \$0.0001 par value: 10,000,000 and no shares authorized at Sept. 30, 2004, and Dec. 31, 2003, respectively; no shares issued and outstanding at Sept. 30, 2004, and Dec. 31, 2003, respectively	--	--
Common stock, \$0.0001 par value: 150,000,000 and 53,000,000 shares authorized at Sept. 30, 2004, and Dec. 31, 2003, respectively; 18,012,619 and 23,540 shares issued and outstanding at Sept. 30, 2004 (unaudited), and Dec. 31, 2003, respectively	1,801	2
Additional paid-in capital	149,926,111	5,031,891
Accumulated other comprehensive loss	(6,064)	--
Deferred compensation	(1,187,260)	(554,375)
Accumulated deficit	(80,118,532)	(80,180,425)
Total stockholders' equity (deficit)	68,616,056	(75,702,907)

Total liabilities and stockholders' equity (deficit)	\$ 86,122,922	\$ 35,158,791
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