

Edwards Lifesciences Corp
Form 10-Q
May 09, 2012

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2012

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 1-15525

EDWARDS LIFESCIENCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-4316614

(I.R.S. Employer Identification No.)

One Edwards Way, Irvine, California

(Address of principal executive offices)

92614

(Zip Code)

(949) 250-2500

(Registrant's telephone number, including area code)

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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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, \$1.00 par value, as of April 30, 2012 was 114,598,804.

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EDWARDS LIFESCIENCES CORPORATION

FORM 10-Q

For the quarterly period ended March 31, 2012

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EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

(in millions, except par value; unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 213.3	\$ 171.2
Short-term investments	196.2	279.3
Accounts and other receivables, net of allowances of \$8.7 and \$14.8, respectively	346.7	320.7
Inventories, net (Note 2)	268.3	261.3
Deferred income taxes	31.6	43.9
Prepaid expenses	41.7	35.0
Other current assets	90.2	57.1
Total current assets	1,188.0	1,168.5
Long-term accounts receivable, net of allowances of \$6.2 and \$4.2, respectively	21.4	24.6
Property, plant and equipment, net	308.2	304.3
Goodwill	349.8	349.8
Other intangible assets, net (Note 3)	65.1	66.9
Investments in unconsolidated affiliates (Note 4)	21.9	21.8
Deferred income taxes	24.0	20.0
Other assets	25.8	24.6
	\$ 2,004.2	\$ 1,980.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 265.2	\$ 335.2
Long-term debt	179.4	150.4
Other long-term liabilities	169.3	157.0
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, \$.01 par value, authorized 50.0 shares, no shares outstanding		
Common stock, \$1.00 par value, 350.0 shares authorized, 121.1 and 120.0 shares issued, and 114.0 and 114.1 shares outstanding, respectively	121.1	120.0
Additional paid-in capital	363.3	300.5
Retained earnings	1,425.8	1,360.7
Accumulated other comprehensive loss	(24.6)	(37.5)
Treasury stock, at cost, 7.1 and 5.9 shares, respectively	(495.3)	(405.8)
Total stockholders' equity	1,390.3	1,337.9

The accompanying notes are an integral part of these consolidated condensed financial statements.

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EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in millions, except per share information; unaudited)

	Three Months Ended March 31,	
	2012	2011
Net sales	\$ 459.2	\$ 404.5
Cost of goods sold	127.3	116.8
Gross profit	331.9	287.7
Selling, general and administrative expenses	177.2	150.3
Research and development expenses	68.6	59.0
Other expense (income), net	0.5	(6.2)
Income before provision for income taxes	85.6	84.6
Provision for income taxes	20.5	20.7
Net income	\$ 65.1	\$ 63.9

Share information (Note 12)

Earnings per share:		
Basic	\$ 0.57	\$ 0.56
Diluted	\$ 0.55	\$ 0.53
Weighted-average number of common shares outstanding:		
Basic	114.0	114.9
Diluted	118.0	120.5

The accompanying notes are an integral part of these consolidated condensed financial statements.

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EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(in millions; unaudited)

	Three Months Ended March 31,	
	2012	2011
Net income	\$ 65.1	\$ 63.9
Other comprehensive income, net of tax (Note 11)		
Foreign currency translation adjustments	7.2	32.3
Unrealized gain (loss) on cash flow hedges	4.7	(7.1)
Unrealized gain on available-for-sale investments for the period	0.7	1.4
Reclassification of net realized investment loss to earnings	0.3	
Unrealized gain on available-for-sale investments	1.0	1.4
Other comprehensive income	12.9	26.6
Comprehensive income	\$ 78.0	\$ 90.5

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EDWARDS LIFESCIENCES CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended March 31,	
	2012	2011 (as restated) (Note 15)
Cash flows from operating activities		
Net income	\$ 65.1	\$ 63.9
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Depreciation and amortization	13.8	14.5
Stock-based compensation (Note 8)	9.2	7.7
Excess tax benefit from stock plans	(38.2)	(15.2)
Deferred income taxes	1.7	1.5
Other	(0.9)	(4.5)
Changes in operating assets and liabilities:		
Accounts and other receivables, net	(24.9)	(34.9)
Inventories, net	(7.9)	(5.9)
Accounts payable and accrued liabilities	(52.3)	(9.0)
Prepaid expenses and other current assets	2.5	(5.6)
Other	1.2	2.4
Net cash (used in) provided by operating activities	(30.7)	14.9
Cash flows from investing activities		
Capital expenditures	(18.0)	(13.9)
Purchases of short-term investments	(106.1)	(105.6)
Proceeds from short-term investments	190.3	
Proceeds from unconsolidated affiliates, net	2.2	5.0
Acquisition		(42.6)
Investments in trading securities, net		(0.7)
Investments in intangible assets		(0.3)
Net cash provided by (used in) investing activities	68.4	(158.1)
Cash flows from financing activities		
Proceeds from issuance of debt	151.6	110.5
Payments on debt	(120.5)	(5.2)
Purchases of treasury stock	(89.5)	(75.8)
Equity forward contract related to accelerated share repurchase agreement (Note 9)	(10.8)	
Proceeds from stock plans	24.9	13.2
Excess tax benefit from stock plans	38.2	15.2
Other	3.0	1.6
Net cash (used in) provided by financing activities	(3.1)	59.5
Effect of currency exchange rate changes on cash and cash equivalents	7.5	12.8
Net increase (decrease) in cash and cash equivalents	42.1	(70.9)
Cash and cash equivalents at beginning of period	171.2	396.1

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Cash and cash equivalents at end of period	\$ 213.3	\$ 325.2
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The accompanying notes are an integral part of these consolidated condensed financial statements.

Table of Contents**1. BASIS OF PRESENTATION**

The accompanying interim consolidated condensed financial statements and related disclosures have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the consolidated financial statements and notes included in Edwards Lifesciences Corporation's Annual Report on Form 10-K for the year ended December 31, 2011. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted.

In the opinion of management of Edwards Lifesciences Corporation ("Edwards Lifesciences" or the "Company"), the interim consolidated condensed financial statements reflect all adjustments considered necessary for a fair statement of the interim periods. All such adjustments are of a normal, recurring nature. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

Recently Adopted Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued an amendment to the accounting guidance on fair value measurements to ensure that United States GAAP and International Financial Reporting Standards have common requirements for fair value measurement and disclosures, including a consistent definition of fair value. The guidance was effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued an amendment to the accounting guidance on the presentation of comprehensive income. The guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity, and instead requires that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company elected to present two separate but consecutive statements.

In September 2011, the FASB issued an amendment to the accounting guidance on goodwill to permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The guidance was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will consider the use of the qualitative factors in its annual goodwill impairment test this year.

2. INVENTORIES, NET

Inventories, net of reserves, consisted of the following (in millions):

	March 31, 2012	December 31, 2011
Raw materials	\$ 52.9	\$ 51.7
Work in process	71.1	66.6
Finished products	144.3	143.0
	\$ 268.3	