

HOLOGIC INC
Form 10-Q
February 02, 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 December 24, 2011

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: 0-18281

Hologic, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State of incorporation)

04-2902449
(I.R.S. Employer

Identification No.)

35 Crosby Drive,

Bedford, Massachusetts
(Address of principal executive offices)

01730
(Zip Code)

(781) 999-7300

(Registrant's telephone number, including area code)

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. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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

As of January 26, 2012, 263,777,305 shares of the registrant's Common Stock, \$0.01 par value, were outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements (unaudited)****HOLOGIC, INC.****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)****(In thousands, except per share data)**

	Three Months Ended	
	December 24, 2011	December 25, 2010
Revenues:		
Product sales	\$ 392,096	\$ 358,603
Service and other revenues	80,615	73,968
	472,711	432,571
Costs and expenses:		
Cost of product sales	131,944	125,025
Cost of product sales amortization of intangible assets	46,171	42,112
Cost of service and other revenues	45,226	40,700
Research and development	28,342	28,557
Selling and marketing	77,460	67,911
General and administrative	46,495	40,453
Amortization of intangible assets	14,842	14,496
Contingent consideration compensation expense	10,441	
Contingent consideration fair value adjustments	5,122	1,096
Litigation settlement charge		450
Restructuring and divestiture (benefit) charges, net	(91)	51
	405,952	360,851
Income from operations	66,759	71,720
Interest income	662	407
Interest expense	(29,509)	(28,909)
Loss on extinguishment of debt		(29,891)
Other income (expense), net	1,992	(798)
Income before income taxes	39,904	12,529
Provision for income taxes	19,092	1,589
Net income	\$ 20,812	\$ 10,940
Net income per share:		
Basic	\$ 0.08	\$ 0.04
Diluted	\$ 0.08	\$ 0.04

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Weighted average number of shares outstanding:		
Basic	262,717	259,624
Diluted	264,958	263,146

See accompanying notes.

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	December 24, 2011	September 24, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 793,082	\$ 712,332
Restricted cash	528	537
Accounts receivable, less reserves of \$8,369 and \$6,516, respectively	324,222	318,712
Inventories	241,333	230,544
Deferred income tax assets	38,465	39,607
Prepaid income taxes	9,758	10,098
Prepaid expenses and other current assets	29,909	31,070
Total current assets	1,437,297	1,342,900
Property and equipment, net	236,692	238,666
Intangible assets, net	2,035,906	2,090,807
Goodwill	2,288,167	2,290,330
Other assets	48,022	46,077
Total assets	\$ 6,046,084	\$ 6,008,780
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 62,850	\$ 63,467
Accrued expenses	326,417	325,327
Deferred revenue	122,478	120,656
Total current liabilities	511,745	509,450
Convertible notes (principal of \$1,725,000)	1,507,533	1,488,580
Deferred income tax liabilities	944,561	957,426
Deferred service obligations - long-term	11,024	9,467
Other long-term liabilities	107,433	106,962
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$0.01 par value 1,623 shares authorized; 0 shares issued		
Common stock, \$0.01 par value 750,000 shares authorized; 263,413 and 262,459 shares issued, respectively	2,634	2,625
Capital in excess of par value	5,310,143	5,303,713
Accumulated deficit	(2,349,108)	(2,369,920)
Accumulated other comprehensive income	1,637	1,995
Treasury stock, at cost 219 shares	(1,518)	(1,518)
Total stockholders' equity	2,963,788	2,936,895

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Total liabilities and stockholders' equity	\$ 6,046,084	\$ 6,008,780
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See accompanying notes.

Table of Contents**HOLOGIC, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In thousands)**

	Three Months Ended	
	December 24, 2011	December 25, 2010
OPERATING ACTIVITIES		
Net income	\$ 20,812	\$ 10,940
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,110	16,862
Amortization	61,013	56,608
Fair value write-up of inventory sold		1,337
Non-cash interest expense amortization of debt discount and deferred financing costs	19,960	19,471
Stock-based compensation expense	8,657	10,698
Excess tax benefit related to equity awards	(1,725)	(652)
Deferred income taxes	(13,106)	(19,815)
Impairment of cost-method investments		2,100
Loss on extinguishment of debt		29,891
Fair value adjustments to contingent consideration	5,122	1,096
Loss on disposal of property and equipment	373	725
Other non-cash activity	(1,825)	(642)
Changes in operating assets and liabilities:		
Accounts receivable	(6,616)	6,465
Inventories	(11,474)	(12,696)
Prepaid income taxes	340	3,675
Prepaid expenses and other assets	(530)	(85)
Accounts payable	(499)	6,628
Accrued expenses and other liabilities	11,306	1,402
Deferred revenue	3,813	1,313
Net cash provided by operating activities	111,731	135,321
INVESTING ACTIVITIES		
Payment of additional acquisition consideration	(9,784)	(19,660)
Divestiture of business, net of cash transferred to the buyer		1,129
Purchase of property and equipment	(6,790)	(7,387)
Increase in equipment under customer usage agreements	(7,886)	(5,698)
Purchase of insurance contracts		(5,322)
Proceeds from sale of intellectual property		750
Purchase of cost-method investment	(150)	(150)
Decrease in restricted cash	9	6
Net cash used in investing activities	(24,601)	(36,332)
FINANCING ACTIVITIES		
Payment of debt issuance costs		(5,327)
Repayments of notes payable		(335)
Payment of contingent consideration	(4,105)	
Net proceeds from issuance of common stock pursuant to employee stock plans	1,627	2,944

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Excess tax benefit related to equity awards	1,725	652
Payment of employee restricted stock minimum tax withholdings	(5,561)	(4,013)
Net cash used in financing activities	(6,314)	(6,079)
Effect of exchange rate changes on cash and cash equivalents	(66)	(499)