

STRYKER CORP
Form 10-Q
April 24, 2014

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, 2014

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

Commission file number: 0-9165

STRYKER CORPORATION

(Exact name of registrant as specified in its charter)

Michigan

(State of incorporation)

38-1239739

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

2825 Airview Boulevard, Kalamazoo,

Michigan

(Address of principal executive offices)

49002

(Zip Code)

(269)-385-2600

(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.

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Large accelerated filer Accelerated filer
Non-accelerated filer Small 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

Number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
379,093,934 shares of Common Stock, \$0.10 par value, as of March 31, 2014.

PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Stryker Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

	Three Months Ended March 31		
	2014	2013	
Net sales	\$2,305	\$2,190	
Cost of sales	769	713	
Gross profit	1,536	1,477	
Research, development and engineering expenses	150	129	
Selling, general and administrative expenses	1,205	916	
Intangible asset amortization	45	32	
Restructuring charges	5	14	
Total operating expenses	1,405	1,091	
Operating income	131	386	
Other income (expense), net	(24) (11)
Earnings before income taxes	107	375	
Income taxes	37	71	
Net earnings	\$70	\$304	
Net earnings per share of common stock:			
Basic net earnings per share of common stock	\$0.19	\$0.80	
Diluted net earnings per share of common stock	\$0.18	\$0.79	
Weighted-average shares outstanding—in millions:			
Basic	378.2	379.7	
Net effect of dilutive employee stock options	4.4	3.3	
Diluted	382.6	383.0	
Anti-dilutive shares excluded from the calculation of net effect of dilutive employee stock options	2.5	5.1	

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended March 31		
	2014	2013	
Net earnings	\$70	\$304	
Unrealized gains (losses) on securities, net of tax (expense) benefit of \$(0) and \$0, respectively	3	(1)
Unfunded pension (losses) gains, net of tax benefit (expense) of \$0 and (\$1) respectively	(1) 3	
Unrealized losses on the effective portion of designated hedges, net of tax benefit of \$2	(3) —	
Foreign currency translation adjustments	37	(114)
Total other comprehensive income (loss)	36	(112)
Comprehensive income	\$106	\$192	

See accompanying notes to Consolidated Financial Statements.

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Dollar amounts in millions except per share amounts or as
otherwise specified

Stryker Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31 2014	December 31 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$1,381	\$1,339
Marketable securities	2,666	2,641
Accounts receivable, less allowance of \$68 (\$72 in 2013)	1,430	1,518
Inventories		
Materials and supplies	231	227
Work in process	96	85
Finished goods	1,171	1,110
Total inventories	1,498	1,422
Deferred income taxes	918	880
Prepaid expenses and other current assets	553	535
Total current assets	8,446	8,335
Property, plant and equipment		
Land, buildings and improvements	692	686
Machinery and equipment	1,892	1,811
Total property, plant and equipment	2,584	2,497
Less allowance for depreciation	1,467	1,416
Net property, plant and equipment	1,117	1,081
Other assets		
Goodwill	3,997	3,844
Other intangibles, net	2,085	1,989
Other	514	494
Total assets	\$16,159	\$15,743
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$350	\$314
Accrued compensation	333	535
Income taxes	118	131
Dividend payable		