

PATHEON INC
Form 10-Q
September 13, 2012
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 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: 000-54283

PATHEON INC.

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction of
incorporation or organization)

Not Applicable
(I.R.S. Employer
Identification No.)

c/o Patheon Pharmaceuticals Services Inc.

4721 Emperor Boulevard, Suite 200

Durham, NC

(Address of principal executive offices)

919-226-3200

(Registrant's telephone number, including area code)

27703

(Zip 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 Act). Yes No

As of September 11, 2012, the registrant had 129,167,926 restricted voting shares outstanding.

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Patheon Inc.

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Item 1. Financial Statements

Patheon Inc.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	As of July 31, 2012	As of October 31, 2011
(in millions of U.S. dollars)	\$	\$
Assets		
Current		
Cash and cash equivalents	35.4	33.4
Accounts receivable	138.1	158.0
Inventories	90.3	81.8
Income taxes receivable	1.9	3.1
Prepaid expenses and other	16.3	10.7
Deferred tax assets - short-term	13.3	8.1
Total current assets	295.3	295.1
Capital assets	399.2	474.2
Deferred financing costs	5.1	6.2
Deferred tax assets	36.0	39.1
Goodwill	3.4	3.5
Investments	5.8	5.3
Long-term assets held for sale	—	0.2
Other long-term assets	10.0	1.0
Total assets	754.8	824.6
Liabilities and shareholders' equity		
Current		
Short-term borrowings	6.6	6.1
Accounts payable and accrued liabilities	175.3	181.5
Income taxes payable	3.3	—
Deferred revenues - short-term	8.7	8.8
Current portion of long-term debt	—	1.1
Total current liabilities	193.9	197.5
Long-term debt	310.4	280.1
Deferred revenues	34.6	27.7
Deferred tax liabilities	30.4	27.9
Other long-term liabilities	41.1	53.7
Total liabilities	610.4	586.9
Shareholders' equity		
Restricted voting shares	572.0	571.9
Contributed surplus	16.0	13.5
Deficit	(455.4) (371.9
Accumulated other comprehensive income	11.8	24.2
Total shareholders' equity	144.4	237.7
Total liabilities and shareholders' equity	754.8	824.6
see accompanying notes		

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Patheon Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended July 31,		Nine months ended July 31,		
	2012	2011	2012	2011	
(in millions of U.S. dollars, except per share information) \$	\$	\$	\$	\$	
Revenues	203.7	172.7	539.1	518.4	
Cost of goods sold	148.2	146.9	435.2	420.1	
Gross profit	55.5	25.8	103.9	98.3	
Selling, general and administrative expenses	29.9	31.7	99.0	84.3	
Repositioning expenses	0.1	1.9	6.9	3.4	
Impairment charge	—	—	57.9	—	
(Gain) loss on sale of capital assets	—	(0.1) —	0.1	
Operating income (loss)	25.5	(7.7) (59.9) 10.5	
Interest expense, net	6.8	6.3	19.8	19.0	
Foreign exchange loss (gain), net	0.4	(3.6) 0.6	3.2	
Other income, net	(0.5) (6.3) (0.6) (5.8)
Income (loss) from continuing operations before income taxes	18.8	(4.1) (79.7) (5.9)
Provision for (benefit from) income taxes	3.3	(4.7) 3.6	0.1	
Income (loss) before discontinued operations	15.5	0.6	(83.3) (6.0)
Loss from discontinued operations	—	(0.2) (0.2		