

PERRIGO Co plc
Form 10-Q
February 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: December 28, 2013

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 333-190859

PERRIGO COMPANY PLC
(Exact name of registrant as specified in its charter)

Ireland
(State or other jurisdiction of incorporation or organization)

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

Treasury Building, Lower Grand Canal Street, Dublin 2,
Ireland

-
(Zip Code)

(Address of principal executive offices)

+353 1 6040031

(Registrant's telephone number, including area code)

33 Sir John Rogerson's Quay, Dublin 2, Ireland

(Former name, former address and former fiscal year, if changed since last report)

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, 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 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 (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 31, 2014, there were 133,747,488 Ordinary Shares outstanding.

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Cautionary Note Regarding Forward-Looking Statements

Certain statements in this report are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. These statements relate to future events or the Company’s future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company or its industry to be materially different from those expressed or implied by any forward-looking statements. In particular, statements about the Company’s expectations, beliefs, plans, objectives, assumptions, future events or future performance contained in this report, including certain statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or the negative of those terms or other comparable terminology.

Please see Item 1A of the Form 10-K of Perrigo Company, of which the Company is the successor registrant, for the year ended June 29, 2013 and Part II, Item 1A of this Form 10-Q for a discussion of certain important risk factors that relate to forward-looking statements contained in this report. The Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond the Company’s control. These and other important factors may cause actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements in this report are made only as of the date hereof, and unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

PERRIGO COMPANY PLC
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (in millions, except per share amounts)
 (unaudited)

	Three Months Ended		Six Months Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Net sales	\$979.0	\$883.0	\$1,912.4	\$1,652.7
Cost of sales	618.3	575.8	1,195.4	1,060.3
Gross profit	360.7	307.2	717.0	592.4
Operating expenses				
Distribution	14.0	11.7	27.2	22.5
Research and development	37.5	28.3	69.8	55.7
Selling	47.3	43.1	97.6	80.5
Administration	154.4	60.2	233.2	113.3
Write-off of in-process research and development	6.0	—	6.0	—
Restructuring	14.9	—	17.0	—
Total operating expenses	274.1	143.3	450.8	272.0
Operating income	86.6	163.9	266.2	320.4
Interest, net	29.7	15.3	51.1	31.2
Other expense, net	4.1	0.1	5.1	—
Loss on sale of investment	—	3.0	—	3.0
Loss on extinguishment of debt	165.8	—	165.8	—
Income (loss) before income taxes	(113.0)	) 145.5	44.2	286.2
Income tax expense (benefit)	(27.0)	) 39.5	18.9	74.7
Net income (loss)	\$(86.0)	) \$106.0	\$25.3	\$211.5
Earnings (loss) per share				
Basic earnings (loss) per share	\$(0.87)	) \$1.13	\$0.26	\$2.26
Diluted earnings (loss) per share	\$(0.87)	) \$1.12	\$0.26	\$2.24
Weighted average shares outstanding				
Basic	98.7	93.9	96.4	93.8
Diluted	98.7	94.5	96.9	94.4
Dividends declared per share	\$0.09	\$0.09	\$0.18	\$0.17

See accompanying Notes to Condensed Consolidated Financial Statements.

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PERRIGO COMPANY PLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions)

(unaudited)

	Three Months Ended		Six Months Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Net income (loss)	\$ (86.0	) \$ 106.0	\$ 25.3	\$ 211.5
Other comprehensive income (loss):				
Change in fair value of derivative financial instruments, net of tax	(1.4	) 5.2	(10.6	) 6.7
Foreign currency translation adjustments	16.5	28.0	53.1	33.5
Change in fair value of investment securities, net of tax	(4.8	) 1.0	(4.8	) 1.0
Post-retirement and pension liability adjustments, net of tax	—	—	(0.1) —
Other comprehensive income, net of tax	10.3	34.2	37.6	41.2
Comprehensive income (loss)	\$ (75.7	) \$ 140.2	\$ 62.9	\$ 252.7

See accompanying Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

(unaudited)

	December 28, 2013	June 29, 2013
Assets		
Current assets		
Cash and cash equivalents	\$521.1	\$779.9
Investment securities	85.5	—
Accounts receivable, net of allowance for doubtful accounts of \$2.7 million and \$2.1 million	769.8	651.9
Inventories	702.3	703.9
Current deferred income taxes	61.6	47.1
Income taxes refundable	79.2	6.1
Prepaid expenses and other current assets	66.5	48.0
Total current assets	2,286.0	2,236.9
Property and equipment	1,366.7	1,290.4
Less accumulated depreciation	(648.2)	(609.0)
	718.5	681.4
Goodwill and other indefinite-lived intangible assets	3,255.6	1,174.1
Equity method investments	69.0	4.4
Other intangible assets, net	7,223.3	1,157.6
Non-current deferred income taxes	21.3	20.3
Other non-current assets	139.1	76.1
	\$13,712.8	\$5,350.8
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$306.7	\$382.0
Short-term debt	—	5.0
Payroll and related taxes	158.7	82.1
Accrued customer programs	210.0	131.7
Accrued liabilities	140.6	95.6
Accrued income taxes	4.6	11.6
Current deferred income taxes	—	0.2
Current portion of long-term debt	141.2	41.2
Total current liabilities	961.8	749.4
Non-current liabilities		
Long-term debt, less current portion	3,159.1	1,927.8
Non-current deferred income taxes	846.2	127.8
Other non-current liabilities	244.5	213.2
Total non-current liabilities	4,249.8	2,268.8
Shareholders' Equity		
Controlling interest:		
Preferred shares, \$0.0001 par value, 10 million shares authorized	—	—
Ordinary shares, €0.001 par value, 10 billion shares authorized	6,662.6	538.5
Accumulated other comprehensive income	114.6	77.0
Retained earnings	1,723.3	1,715.9
	8,500.5	2,331.4

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Noncontrolling interest	0.7	1.2
Total shareholders' equity	8,501.2	2,332.6
	\$13,712.8	\$5,350.8
Supplemental Disclosures of Balance Sheet Information		
Preferred shares, issued and outstanding	—	—
Ordinary shares, issued and outstanding	133.7	94.1

See accompanying Notes to Condensed Consolidated Financial Statements.

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PERRIGO COMPANY PLC
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in millions)
 (unaudited)

	Six Months Ended	
	December 28, 2013	December 29, 2012
Cash Flows From (For) Operating Activities		
Net income	\$25.3	\$211.5
Adjustments to derive cash flows		
Loss on extinguishment of debt	165.8	—
Write-off of IPR&D	6.0	—
Non-cash restructuring charges	14.3	—
Loss on sale of investment	—	3.0
Depreciation and amortization	110.4	69.9
Share-based compensation	13.6	9.4
Income tax benefit from exercise of stock options	0.3	1.1
Excess tax benefit of stock transactions	(6.9	) (15.6
Deferred income taxes	(5.4	) 1.0
Subtotal	323.4	280.3
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(65.1	) 16.2
Inventories	10.5	(45.0
Accounts payable	(70.8	) (18.1
Payroll and related taxes	13.7	(20.0
Accrued customer programs	72.8	6.6
Accrued liabilities	2.0	