

AKORN INC
Form 10-Q
November 06, 2018

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 SEPTEMBER 30, 2018

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: 001-32360

AKORN, INC.

(Exact Name of Registrant as Specified in its Charter)

LOUISIANA	72-0717400
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1925 W. Field Court, Suite 300	
Lake Forest, Illinois	60045
(Address of Principal Executive Offices)	(Zip Code)

(847) 279-6100
(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^o No^o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 229.405 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^p No^o

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

Large Accelerated
 accelerated filer ☐ ☐
 Non-accelerated
 filer ☐
 (Do
 not check if a
 smaller reporting
 company) ☐ ☐
 Emerging growth
 company ☐
 If an emerging growth
 company, indicate by check
 mark if the registrant has
 elected not to use the
 extended transition period
 for complying with any new
 or revised financial
 accounting standards
 provided pursuant to Section
 13(a) of the Exchange
 Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

At November 4, 2018, there were 125,492,373 shares of common stock, no par value, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Certain prior-period amounts have been reclassified to conform to current-period presentation including cost of sales, selling, general and administrative expenses, litigation rulings and settlements and other non-operating (expense) income, net on the condensed consolidated statements of comprehensive (loss) income and condensed consolidated statements of cash flows.

AKORN, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$275,346	\$368,119
Trade accounts receivable, net	163,715	141,383
Inventories, net	194,782	183,568
Prepaid expenses and other current assets	35,165	37,081
TOTAL CURRENT ASSETS	669,008	730,151
PROPERTY, PLANT AND EQUIPMENT, NET	333,310	313,418
OTHER LONG-TERM ASSETS		
Goodwill	283,217	285,310
Intangible assets, net	416,552	569,484
Deferred tax assets	6,100	6,521
Other non-current assets	7,003	4,627
TOTAL OTHER LONG-TERM ASSETS	712,872	865,942
TOTAL ASSETS	\$1,715,190	\$1,909,511
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$59,323	\$51,976
Purchase consideration payable	—	3,901
Income taxes payable	6,739	15,775
Accrued royalties	4,306	5,902
Accrued compensation	23,433	12,286
Accrued administrative fees	35,883	38,598
Accrued expenses and other liabilities	62,890	42,651
TOTAL CURRENT LIABILITIES	192,574	171,089
LONG-TERM LIABILITIES:		
Long-term debt (net of non-current deferred financing costs)	819,107	815,195
Deferred tax liability	2,511	43,404
Other long-term liabilities	48,710	48,578
TOTAL LONG-TERM LIABILITIES	870,328	907,177
TOTAL LIABILITIES	1,062,902	1,078,266
SHAREHOLDERS' EQUITY		
Common stock, no par value – 150,000,000 shares authorized; 125,492,373 and 125,090,522 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively.	570,250	550,472

Retained earnings	107,870	294,741
Accumulated other comprehensive loss	(25,832)	(13,968)
TOTAL SHAREHOLDERS' EQUITY	652,288	831,245
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,715,190	\$1,909,511
See notes to condensed consolidated financial statements.		

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AKORN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues, net	\$ 165,625	\$ 202,428	\$ 540,632	\$ 654,988
Cost of sales (exclusive of amortization of intangibles, included within operating expenses below)	108,363	104,665	319,863	305,687
GROSS PROFIT	57,262	97,763	220,769	349,301
Selling, general and administrative expenses	63,173	53,404	209,850	154,968
Acquisition-related costs	24	34	99	121
Research and development expenses	35,389	12,250	140,627	39,417
Amortization of intangibles	13,613	15,316	39,985	46,291
Impairment of intangible assets	6,699	7,599	8,825	10,657
Litigation rulings and settlements	14,344	400	13,944	(870)
TOTAL OPERATING EXPENSES	133,242	89,003	413,330	250,584