

ADVANCED MEDICAL OPTICS INC

Form 10-Q

November 08, 2005

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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 September 30, 2005

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 001-31257

ADVANCED MEDICAL OPTICS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

33-0986820

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(State or other jurisdiction of

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

incorporation or organization)

1700 E. St. Andrew Place

Santa Ana, California
(Address of principal executive offices)

92705
(Zip Code)

Registrant's telephone number, including area code 714/247-8200

Indicate by a 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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 November 3, 2005, there were 66,863,750 shares of common stock outstanding.

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FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2005

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Advanced Medical Optics, Inc.

Unaudited Condensed Consolidated Statements of Operations

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2005	September 24, 2004	September 30, 2005	September 24, 2004
Net sales	\$ 248,233	\$ 198,366	\$ 667,843	\$ 517,414
Cost of sales	87,452	88,894	245,369	212,577
Gross profit	160,781	109,472	422,474	304,837
Selling, general and administrative	117,814	88,533	299,223	236,620
Research and development	18,520	11,830	44,820	31,043
In-process research and development	39,300	28,100	490,750	28,100
Operating income (loss)	(14,853)	(18,991)	(412,319)	9,074
Non-operating expense (income):				
Interest expense	8,831	8,377	23,569	19,327
Unrealized gain on derivative instruments	(179)	(304)	(1,169)	(830)
Loss due to exchange of 3 1/2% Convertible Senior Subordinated Notes due 2023		3,489	545	115,309
Other, net	1,940	1,219	198	12,668
	10,592	12,781	23,143	146,474
Loss before income taxes	(25,445)	(31,772)	(435,462)	(137,400)
Provision (benefit) for income taxes	5,770	(64)	20,043	2,103
Net loss	\$ (31,215)	\$ (31,708)	\$ (455,505)	\$ (139,503)
Net loss per share :				
Basic and Diluted	\$ (0.47)	\$ (0.89)	\$ (9.01)	\$ (4.36)
Weighted average number of shares outstanding:				
Basic and Diluted	66,326	35,711	50,552	31,977

See accompanying notes to unaudited condensed consolidated financial statements.

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Advanced Medical Optics, Inc.

Unaudited Condensed Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2005	December 31, 2004
ASSETS		
Current assets		
Cash and equivalents	\$ 48,942	\$ 49,455
Trade receivables, net	218,633	189,465
Inventories	119,519	85,028
Deferred income taxes	52,987	40,250
Other current assets	27,648	12,627
Total current assets	467,729	376,825
Property, plant and equipment, net	115,036	118,639
Other assets	52,754	41,825
Intangibles assets, net	513,374	147,895
Goodwill	833,111	391,350
Total assets	\$ 1,982,004	\$ 1,076,534
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt and short-term borrowings	\$ 96,500	\$ 1,950
Accounts payable	58,298	77,824
Accrued compensation	32,940	31,451
Other accrued expenses	77,774	67,042
Income taxes	13,787	15,656
Total current liabilities	279,299	193,923
Long-term debt, net of current portion	505,600	550,643
Deferred income taxes	180,268	29,570
Other liabilities	27,159	26,128
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; authorized 5,000,000 shares; none issued		
Common stock, \$.01 par value; authorized 240,000,000 shares; issued 66,718,917 and 37,069,452 shares	667	371
Additional paid-in capital	1,559,311	310,437
Accumulated deficit	(559,894)	(104,389)
Accumulated other comprehensive income (loss)	(10,383)	69,874
Less treasury stock, at cost (1,379 shares)	(23)	(23)
Total stockholders' equity	989,678	276,270
Total liabilities and stockholders' equity	\$ 1,982,004	\$ 1,076,534

See accompanying notes to unaudited condensed consolidated financial statements.

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Advanced Medical Optics, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)

	Nine Months Ended	
	September 30, 2005	September 24, 2004
Cash flows from operating activities:		
Net loss	\$ (455,505)	\$ (139,503)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Amortization of original issue discount and debt issuance costs	8,344	9,860
Amortization and write-off of realized gain on interest rate swaps	(773)	(3,466)
Depreciation and amortization	35,469	14,970
In-process research and development	490,750	28,100
Loss on exchange of convertible senior subordinated notes	545	110,729
Loss on investments and assets	329	748
Tax benefit from issuance of stock under stock plans	11,104	2,828
Unrealized gain on derivative instruments	(1,169)	(830)
Stock compensation expenses	708	152
Changes in assets and liabilities, net of effect of acquisitions:		
Trade receivables, net	(4,737)	(52,279)
Inventories	(27,599)	3,055
Other current assets	(6,995)	(1,715)
Accounts payable	(33,423)	36,400
Accrued expenses and other liabilities	(27,507)	5,862
Income taxes	(1,869)	(5,065)
Other non-current assets	4,669	(1,885)
Net cash (used in) provided by operating activities	(7,659)	7,961
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(36,867)	(456,709)
Additions to property, plant and equipment	(13,197)	(9,018)
Proceeds from sale of property, plant and equipment	23	35
Additions to capitalized internal-use software	(7,617)	(739)
Additions to demonstration and bundled equipment	(8,344)	(5,104)
Net cash used in investing activities	(66,002)	(471,535)
Cash flows from financing activities:		
Proceeds from issuance of convertible senior subordinated notes	150,000	350,000
Borrowings under term loans		250,000
Short-term borrowings, net	96,500	
Repayment of long-term debt	(193,993)	(138,236)
Financing related costs	(8,108)	(16,553)
Proceeds from issuance of common stock	30,627	5,087
Net proceeds from settlement of interest rate swaps	773	
Purchase of treasury stock		(8)
Net cash provided by financing activities	75,799	450,290
Effect of exchange rates on cash and equivalents		