

HOLOGIC INC
Form 10-Q
August 06, 2009
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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 June 27, 2009

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: 0-18281

Hologic, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State of incorporation)

04-2902449
(I.R.S. Employer Identification No.)

35 Crosby Drive, Bedford, Massachusetts
(Address of principal executive offices)

01730
(Zip Code)

(781) 999-7300

(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. (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 Exchange Act.) Yes No

As of August 3, 2009, 256,632,632 shares of the registrant's Common Stock, \$0.01 par value, were outstanding.

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HOLOGIC, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share data)

	June 27, 2009	September 27, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 243,721	\$ 95,661
Restricted cash	911	3,629
Accounts receivable, less reserves of \$7,117 and \$6,326, respectively	279,811	321,299
Inventories (Note 5)	183,401	174,667
Deferred income tax assets	56,449	53,660
Prepaid income taxes	4,220	17,797
Prepaid expenses and other current assets	25,585	26,865
Total current assets	794,098	693,578
Property and equipment, net (Note 5)	277,640	283,975
Intangible assets, net (Note 17)	2,476,659	2,629,651
Goodwill (Note 17)	2,100,938	4,450,496
Other assets	68,910	76,932
Total assets	\$ 5,718,245	\$ 8,134,632
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 25,355	\$ 38,480
Accounts payable	49,785	59,590
Accrued expenses	119,757	154,746
Deferred revenue	92,048	78,559
Deferred gain	9,500	9,500
Total current liabilities	296,445	340,875
Long-term debt, net of current portion (Note 6)	256,340	437,420
Convertible debt (Note 6)	1,725,000	1,725,000
Deferred income tax liabilities	918,603	920,838
Deferred service obligations - long-term	11,111	10,777
Other long-term liabilities	55,573	57,453
Commitments and contingencies (Notes 6, 7, 8, 13, 14 and 15)		
Stockholders' equity:		
Preferred stock, \$0.01 par value 1,623 shares authorized; 0 shares issued		
Common stock, \$0.01 par value 750,000 shares authorized; 256,817 and 256,373 shares issued, respectively	2,568	2,564
Capital in excess of par value	4,879,428	4,853,837
Accumulated deficit	(2,428,821)	(217,644)
Accumulated other comprehensive income	3,431	4,945
Treasury stock, at cost 214 shares	(1,433)	(1,433)

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Total stockholders' equity	2,455,173	4,642,269
Total liabilities and stockholders' equity	\$ 5,718,245	\$ 8,134,632

See accompanying notes.

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HOLOGIC, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Revenues:				
Product sales	\$ 349,414	\$ 384,004	\$ 1,081,409	\$ 1,108,430
Service and other revenues	53,706	45,488	152,958	123,556
	403,120	429,492	1,234,367	1,231,986
Costs and expenses (1):				
Cost of product sales	114,232	121,649	352,040	397,030
Cost of product sales amortization of intangible assets	40,773	24,574	116,279	69,649
Cost of product sales impairment of acquired intangible assets (Note 17)			4,065	
Cost of service and other revenues	36,970	38,506	111,305	113,071
Research and development	23,407	20,966	71,628	60,477
Selling and marketing	58,928	68,483	182,402	193,731
General and administrative	37,039	35,043	110,654	109,111
Amortization of acquired intangible assets	13,025	6,267	38,356	18,685
Impairment of goodwill (Note 17)			2,340,023	
Impairment of acquired intangible assets (Note 17)				2,900
Acquired in-process research and development (Note 4)				370,000
Restructuring charge (Note 16)		6,383		6,383
	324,374	321,871	3,326,752	1,341,037
Income (loss) from operations	78,746	107,621	(2,092,385)	(109,051)
Interest income	206	604	999	3,729
Interest expense	(17,552)	(14,103)	(53,057)	(65,102)
Other income (expense), net	(730)	788	(4,485)	615
Income (loss) before income taxes	60,670	94,910	(2,148,928)	(169,809)
Provision for income taxes	19,670	33,531	62,249	71,435
Net income (loss)	\$ 41,000	\$ 61,379	\$ (2,211,177)	\$ (241,244)
Net income (loss) per common share:				
Basic	\$ 0.16	\$ 0.24	\$ (8.62)	\$ (0.99)
Diluted	\$ 0.16	\$ 0.24	\$ (8.62)	\$ (0.99)
Weighted average number of common shares outstanding:				
Basic	256,556	255,676	256,381	242,604
Diluted	258,908	259,390	256,381	242,604

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- (1) Stock-based compensation included in costs and expenses during the three and nine months ended June 27, 2009 was \$913 and \$2,625 for cost of revenues, \$747 and \$3,095 for research and development, \$1,228 and \$4,005 for selling and marketing and \$5,122 and \$14,628 for general and administrative. Stock-based compensation included in costs and expenses during the three and nine months ended June 28, 2008 was \$508 and \$1,751 for cost of revenues, \$553 and \$1,782 for research and development, \$907 and \$2,402 for selling and marketing and \$3,073 and \$11,612 for general and administrative. The restructuring charge line item includes \$1,941 for both the three and nine months ended June 28, 2008.

See accompanying notes.

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HOLOGIC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended	
	June 27, 2009	June 28, 2008
Cash flows from operating activities:		
Net loss	\$ (2,211,177)	\$ (241,244)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	48,651	38,631
Amortization	154,635	88,347
Fair value write-up of Third Wave and Cytoc inventory	1,084	42,325
Non-cash interest expense	12,466	16,035
Goodwill impairment charge	2,340,023	
Charge for in-process research and development		370,000
Charge for impairment of acquired intangible assets	4,065	2,900
Other-than-temporary impairment charges on cost-method investments	2,243	
Excess tax benefit related to exercise of non-qualified stock options	(528)	(53,688)
Stock-based compensation expense	24,353	19,488
Deferred income taxes	2,797	(20,797)
Loss on disposal of property and equipment	2,676	1,715
Other non-cash activity	(427)	538
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	39,150	(43,076)
Inventories	(15,878)	(38,015)
Prepaid income taxes	13,872	54,151
Prepaid expenses and other assets	(1,048)	(11,493)
Accounts payable	(9,634)	(9,135)
Accrued expenses and other liabilities	(26,095)	342
Deferred revenue	14,396	22,037
Net cash provided by operating activities	395,624	239,061
Cash flows from investing activities:		
Merger with Cytoc Corporation, net of cash acquired		(2,027,017)
Additional business acquisition consideration, net	(229)	(956)
Decrease in restricted cash	2,718	2,296