

RESMED INC
Form 10-Q
November 03, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2010

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: 001-15317

ResMed Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

98-0152841

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

9001 Spectrum Center Blvd.

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San Diego, CA 92123

United States of America

(Address of principal executive offices)

(858) 836-5000

(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 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 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 shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At October 22, 2010, there were 151,191,640 shares of Common Stock (\$0.004 par value) outstanding. This number excludes 9,963,273 shares held by the registrant as treasury shares.

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PART I - FINANCIAL INFORMATION

Item 1

Item 1. Financial Statements**RESMED INC. AND SUBSIDIARIES**

Condensed Consolidated Balance Sheets (Unaudited)

(In US\$ thousands, except share and per share data)

	September 30, 2010	June 30, 2010
ASSETS		
<u>Current assets</u>		
Cash and cash equivalents	\$540,004	\$488,776
Accounts receivable, net of allowance for doubtful accounts of \$8,205 and \$7,826 at September 30, 2010 and June 30, 2010, respectively	225,836	226,911
Inventories, net (note 3)	214,208	185,642
Deferred income taxes	14,525	14,112
Income taxes receivable	12,165	5,317
Prepaid expenses and other current assets	61,773	64,583
Total current assets	1,068,511	985,341
<u>Non-current assets</u>		
Property, plant and equipment, net (note 5)	423,940	387,148
Goodwill (note 6)	222,327	198,625
Other intangibles, net (note 7)	49,985	30,925
Deferred income taxes	20,170	19,042
Other assets	7,297	5,316
Total non-current assets	723,719	641,056
Total assets	\$1,792,230	\$1,626,397
LIABILITIES AND STOCKHOLDERS' EQUITY		
<u>Current liabilities</u>		
Accounts payable	\$43,071	\$57,535
Accrued expenses	84,770	80,883
Deferred revenue	35,455	29,507
Income taxes payable	28,779	22,656
Deferred income taxes	440	402
Current portion of long-term debt (note 8)	93,800	121,689
Total current liabilities	286,315	312,672
<u>Non-current liabilities</u>		

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Deferred income taxes	11,344	10,793
Deferred revenue	14,741	12,755
Income taxes payable	2,985	2,641
Total non-current liabilities	29,070	26,189
Total liabilities	315,385	338,861
Commitments and contingencies (note 11)	0	0
<u>Stockholders' equity</u>		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued		
Common stock, \$0.004 par value; 200,000,000 shares authorized; 161,370,268 issued and 151,801,105 outstanding at September 30, 2010, and 160,567,176 issued and 151,345,408 outstanding at June 30, 2010	606	605
Additional paid-in capital	684,696	660,185
Retained earnings	941,584	884,876
Treasury stock, at cost, 9,569,163 shares at September 30, 2010, and 9,221,768 shares at June 30, 2010	(362,377)	(344,505)
Accumulated other comprehensive income (note 4)	212,336	86,375
Total stockholders' equity	1,476,845	1,287,536
Total liabilities and stockholders' equity	\$1,792,230	\$1,626,397

See the accompanying notes to the unaudited condensed consolidated financial statements.

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PART I - FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

(In US\$ thousands, except share and per share data)

	Three Months Ended	
	September 30,	
	2010	2009
Net revenue	\$ 282,012	\$ 246,992
Cost of sales	108,058	96,814
Gross profit	173,954	150,178
Operating expenses:		
Selling, general and administrative	84,791	76,756
Research and development	19,739	17,914
Amortization of acquired intangible assets	2,030	1,845
Donation to Foundation	1,000	1,000
Total operating expenses	107,560	97,515
Income from operations	66,394	52,663
Other income, net:		
Interest income, net	5,097	2,125
Other, net	5,063	3,118
Total other income, net	10,160	5,243
Income before income taxes	76,554	57,906
Income taxes	19,846	15,804
Net income	\$ 56,708	\$ 42,102
Basic earnings per share	\$ 0.37	\$ 0.28
Diluted earnings per share (note 2k)	\$ 0.36	\$ 0.27
Basic shares outstanding (000 s)	151,474	150,788

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Diluted shares outstanding (000 s)	156,752	153,524
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See the accompanying notes to the unaudited condensed consolidated financial statements.

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PART I - FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In US\$ thousands)

	Three Months Ended	
	September 30, 2010	2009
Cash flows from operating activities:		
Net income	\$ 56,708	\$ 42,102
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,642	14,094
Impairment of long-lived assets	2,257	0
Stock-based compensation costs	8,350	6,523
Provision for product warranties	682	1,509
Foreign currency revaluation	(7,519)	(3,349)
Write-down of cost-method investments	0	250
Tax benefit from stock option exercises	(2,397)	(2,069)
Amortization of deferred borrowing costs	0	280
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	11,715	7,226
Inventories, net	(12,555)	(11,867)
Prepaid expenses, net deferred income taxes and other current assets	5,421	(254)
Accounts payable, accrued expenses and other liabilities	(19,161)	9,696
Net cash provided by operating activities	59,143	64,141
Cash flows from investing activities:		
Purchases of property, plant and equipment	(15,333)	(14,078)
Patent registration costs	(1,464)	(1,328)
Proceeds from sale of maturing investment securities	3,950	0
Business acquisitions	(21,150)	0
Purchases of cost-method investments	(1,166)	0
Purchases of foreign currency options	(113)	(891)
Proceeds from exercise of foreign currency options	4,368	2,901
Net cash used in investing activities	(30,908)	(13,396)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	13,756	13,383
Tax benefit from stock option exercises	2,397	2,069
Purchases of treasury stock	(22,637)	(33,461)
Repayment of borrowings	(30,000)	0

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Net cash (used in)/provided by financing activities	(36,484)	(18,009)
Effect of exchange rate changes on cash	59,477	29,438
Net increase in cash and cash equivalents	51,228	62,174
Cash and cash equivalents at beginning of period	488,776	415,650
Cash and cash equivalents at end of period	\$ 540,004	\$ 477,824

Supplemental disclosure of cash flow information:

Income taxes paid	\$ 22,293	\$ 8,679
Interest paid	\$ 419	\$ 461
Fair value of assets acquired in acquisitions, excluding cash	\$ 17,142	\$ 0
Liabilities assumed	(450)	0
Goodwill on acquisition		