

INVITROGEN CORP
Form 10-Q
May 05, 2006

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 MARCH 31, 2006

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: 000-25317

INVITROGEN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

33-0373077
(I.R.S. Employer Identification No.)

1600 Faraday Avenue, Carlsbad, CA
(Address of principal executive offices)

92008
(Zip Code)

Registrant's telephone number, including area code: (760) 603-7200

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 126-2 of the Act). Yes ☐ or No ☒

As of April 26, 2006, there were 53,206,877 shares of the registrant's Common Stock, par value \$.01 per share, outstanding.

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****INVITROGEN CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except par value and share data)**

	March 31, 2006 (Unaudited)	December 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 479,982	\$ 435,230
Short-term investments	230,992	310,510
Restricted cash and investments	4,650	6,132
Trade accounts receivable, net of allowance for doubtful accounts of \$5,176 and \$5,368, respectively	195,056	194,942
Inventories	145,786	136,753
Deferred income tax assets	39,958	35,147
Prepaid expenses	16,418	16,972
Other current assets	16,539	15,510
Total current assets	1,129,381	1,151,196
Long-term investments	27	187
Property and equipment, net	280,531	278,447
Goodwill	1,882,477	1,866,288
Intangible assets, net	468,589	490,996
Deferred income tax assets	5,442	4,306
Other assets	84,053	85,629
Total assets	\$ 3,850,500	\$ 3,877,049
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 189,745	\$ 234,246
Accounts payable	81,972	85,335
Accrued expenses and other current liabilities	124,381	159,009
Income taxes	44,448	32,987
Total current liabilities	440,546	511,577
Long-term debt	1,151,902	1,151,923
Pension liabilities	19,934	16,431
Deferred income tax liabilities	132,738	141,432
Other long-term obligations, deferred credits and reserves	13,279	13,892
Total liabilities	1,758,399	1,835,255
Commitments and contingencies (Note 8)		
Stockholders' Equity:		
Preferred stock; \$0.01 par value, 6,405,884 shares authorized; no shares issued or outstanding		
Common stock; \$0.01 par value, 125,000,000 shares authorized; 58,526,504 and 58,289,752 shares issued, respectively	585	583
Additional paid-in-capital	2,166,353	2,158,565

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Deferred compensation		(16,023)
Accumulated other comprehensive (loss) income	(9,412)	(16,688)
Retained earnings	155,595	136,377
Less cost of treasury stock: 5,331,562 shares at March 31, 2006 and December 31, 2005	(221,020)	(221,020)
Total stockholders' equity	2,092,101	2,041,794
Total liabilities and stockholders' equity	\$ 3,850,500	\$ 3,877,049

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITROGEN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	For the Three Months Ended March 31, 2006 2005 (Unaudited)	
Revenues	\$ 309,004	\$ 277,081
Cost of revenues	119,347	106,422
Gross profit	189,657	170,659
Operating Expenses:		
Sales and marketing	60,191	48,480
General and administrative	39,422	30,004
Research and development	28,900	21,241
Purchased intangibles amortization	29,952	25,901
Purchased in-process research and development		1,200
Business consolidation costs	2,131	
Total operating expenses	160,596	126,826
Operating income	29,061	43,833
Other income (expense):		
Interest income	6,466	5,876
Interest expense	(8,369)	(7,258)
Other income, net	454	25,673
Total other income (expense), net	(1,449)	24,291
Income before provision for income taxes	27,612	68,124
Income tax provision	(8,394)	(21,050)
Net income	\$ 19,218	\$ 47,074
Earnings per common share:		
Basic	\$ 0.36	\$ 0.91
Diluted	\$ 0.35	\$ 0.82
Weighted average shares used in per share calculation:		
Basic	53,000	51,455
Diluted	54,822	60,229

The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITROGEN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Three Months	
	Ended March 31, 2006	2005 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 19,218	\$ 47,074
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired and divested:		
Depreciation	10,019	9,247
Amortization of intangible assets	30,455	26,897
Amortization of deferred debt issue costs	597	870
Amortization of premiums on investments, net of accretion of discounts	(1,339)	1,926
Share-based compensation	12,045	1,525
Incremental tax benefits from stock options exercised	(1,485)	
Deferred income taxes	(15,510)	(6,094)
In-process research and development		1,200
Other non-cash adjustments	3,528	2,088
Changes in operating assets and liabilities:		
Trade accounts receivable	910	(14,901)
Inventories	(12,036)	(2,914)
Prepaid expenses and other current assets	(428)	6,028
Other assets	895	(2,404)
Accounts payable	(3,557)	(3,953)
Accrued expenses and other current liabilities	(25,576)	(22,006)
Income taxes	15,443	18,427
Net cash provided by operating activities	33,179	63,010
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of available-for-sale securities	82,980	598,088
Purchases of available-for-sale securities		(134,692)
Net cash paid for business combinations	(19,057)	(63,243)
Purchases of property and equipment	(14,191)	(11,865)
Payments for intangible assets	(6,058)	(253)
Net cash provided by investing activities	43,674	388,035
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term obligations		700
Principal payments on long-term obligations	(45,098)	(10,881)
Proceeds from sale of common stock	10,287	19,076
Incremental tax benefits from stock options exercised	1,485	
Net cash (used in) provided by financing activities	(33,326)	8,895
Effect of exchange rate changes on cash	1,225	(17,552)
Net increase in cash and cash equivalents	44,752	442,388
Cash and cash equivalents, beginning of period	435,230	198,396

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Cash and cash equivalents, end of period	\$ 479,982	\$ 640,784
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The accompanying notes are an integral part of these condensed consolidated financial statements.

INVITROGEN CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Financial Statement Preparation

The unaudited condensed consolidated financial statements have been prepared by Invitrogen Corporation according to the rules and regulations of the Securities and Exchange Commission (SEC), and therefore, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements for the periods presented reflect all adjustments, which are normal and recurring, necessary to fairly state the financial position, results of operations and cash flows. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission (SEC) on March 1, 2006.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. During the three months ended March 31, 2006, the Company revised its estimated royalty obligation due to retroactive changes made to certain licensing agreements.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Invitrogen Corporation and its majority owned or controlled subsidiaries collectively referred to as Invitrogen (the Company). All significant intercompany accounts and transactions have been eliminated.

Long-Lived Assets

The Company periodically re-evaluates the original assumptions and rationale utilized in the establishment of the carrying value and estimated lives of its long-lived assets. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate income from operations and positive cash flow in future periods as well as the strategic significance of any intangible asset to the Company's business objectives. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets, which is determined by applicable market prices, when available.

Computation of Earnings Per Share

Basic earnings per share was computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur from the following items:

Convertible subordinated notes and contingently convertible notes where the effect of those securities is dilutive;

Dilutive stock options; and

Unvested restricted stock

Computations for basic and diluted earnings per share are as follows:

	Income	Shares	Earnings
(in thousands, except per share data)	(Numerator)	(Denominator)	Per Share
Three Months Ended March 31, 2006			
Basic earnings per share:			
Net income	\$ 19,218	53,000	\$ 0.36
Diluted earnings per share:			
Dilutive stock options		841	
Unvested restricted stock		82	
2% Convertible Senior Notes due 2023	117	610	
1 1/2% Convertible Senior Notes due 2024	72	289	
Net income plus assumed conversions	\$ 19,407	54,822	\$ 0.35
Potentially dilutive securities not included above since they are antidilutive:			
Antidilutive stock options		4,184	
2 1/4% Convertible Subordinated Notes due 2006		2,591	
Three Months Ended March 31, 2005			
Basic earnings per share:			
Net income	\$ 47,074	51,455	\$ 0.91
Diluted earnings per share:			
Dilutive stock options		1,461	
Unvested restricted stock		175	
2 1/4% Convertible Subordinated Notes due 2006	2,099	5,807	
2% Convertible Senior Notes due 2023	190	954	
1 1/2% Convertible Senior Notes due 2024	93	377	