

TARO PHARMACEUTICAL INDUSTRIES LTD
Form 6-K
February 10, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934

For the month of February, 2014

Commission File Number 001-35463

Taro Pharmaceutical Industries Ltd.

(Translation of registrant's name into English)

14 Hakitor Street, Haifa Bay 26110, Israel
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____.

Taro Pharmaceutical Industries Ltd.
c/o Taro Pharmaceuticals U.S.A., Inc.
Three Skyline Drive
Hawthorne, New York 10532
(NYSE: TARO)

FOR IMMEDIATE RELEASE

CONTACTS:

| | |
|-----------------------|------------------------|
| Michael Kalb | William J. Coote |
| GVP, CFO | VP, Treasurer |
| (914) 345-9001 | (914) 345-9001 |
| Michael.Kalb@taro.com | William.Coote@taro.com |

TARO PROVIDES RESULTS FOR DECEMBER 31, 2013
Nine Month Net Sales Increases 13%, Operating Income Up 24%

Hawthorne, NY, February 10, 2014 - Taro Pharmaceutical Industries Ltd. (NYSE: TARO) (“Taro” or the “Company”) today provided unaudited financial results for the three months and nine months ended December 31, 2013.

Quarter ended December 31, 2013 Highlights - compared to December 31, 2012

Net sales of \$213.6 million, increased \$27.9 million, or 15.0%, with a decrease in volumes

Gross profit, as a percentage of net sales was 80.7%, compared to 75.4%

Research and development expenses increased 27.8% to \$15.1 million or 7.1% of net sales compared to 6.4%

Selling, marketing, general and administrative expenses, as a percentage of net sales, was 10.3% compared to 11.2%

Operating income increased to \$134.9 million, or 63.2% of net sales, compared to \$104.0 million, or 56.0% of net sales

Net income attributable to Taro was \$115.6 million compared to \$88.8 million, resulting in diluted earnings per share of \$2.59 compared to \$1.98

Nine Months ended December 31, 2013 Highlights - compared to December 31, 2012

Net sales of \$572.1 million, increased \$66.3 million, or 13.1%, with relatively flat volumes

Gross profit, as a percentage of net sales was 76.7%, compared to 74.2%

Research and development expenses increased 23.2% to \$42.3 million or 7.4% of net sales compared to 6.8%

Selling, marketing, general and administrative expenses were relatively flat, however, as a percentage of net sales decreased from 12.7% to 11.4%

Settlements and loss contingencies of \$2.6 million compared to \$11.3 million in 2012, related to certain price reporting litigations

Operating income increased to \$328.7 million, or 57.5% of net sales, compared to \$265.4 million, or 52.5% of net sales

Net income attributable to Taro was \$270.7 million compared to \$217.0 million, a \$53.7 million increase, resulting in diluted earnings per share of \$6.05 compared to \$4.86

Cash Flow and Balance Sheet Highlights

Edgar Filing: TARO PHARMACEUTICAL INDUSTRIES LTD - Form 6-K

Cash provided by operations for the period ended December 31, 2013, as compared to December 31, 2012, was \$273.7 million compared to \$173.1 million

Cash, including marketable securities of \$573.5 million, which includes the impact from the December 2013 tender offer of \$193.0 million, increased \$13.0 million from March 31, 2013

Shareholders' equity increased \$58.4 million from March 31, 2013 however, decreased \$92.2 million from September 30, 2013 as a result of the aforementioned tender offer, whereby Taro purchased 1,959,514 ordinary shares

- more -

Taro Pharmaceutical Industries Ltd.

Page 2 of 5

FDA Approvals and Filings

During the quarter, the Company filed six ANDAs with the FDA. With this, ANDAs representing twenty-five products as well as one NDA await FDA approval.

Taro Announces Final Results of Its Self-Tender Offer

On December 30, 2013, Taro announced the final results of its modified “Dutch auction” tender offer whereby, an aggregate of 1,959,514 ordinary shares were properly tendered and not properly withdrawn at or below the final purchase price of \$97.50 per share, for an aggregate purchase price of \$191.1 million (excluding fees and expenses relating to the tender offer).

About Taro

Taro Pharmaceutical Industries Ltd. is a multinational, science-based pharmaceutical company, dedicated to meeting the needs of its customers through the discovery, development, manufacturing and marketing of the highest quality healthcare products. For further information on Taro Pharmaceutical Industries Ltd., please visit the Company’s website at www.taro.com.

SAFE HARBOR STATEMENT

The unaudited consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments necessary to present fairly the financial condition and results of operations of the Company. The unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements included in the Company’s Annual Report on Form 20-F, as filed with the SEC.

Certain statements in this release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements that do not describe historical facts or that refer or relate to events or circumstances the Company “estimates,” “believes,” or “expects” to happen or similar language, and statements with respect to the Company’s financial performance, availability of financial information, and estimates of financial results and information for fiscal year 2014. Although the Company believes the expectations reflected in such forward-looking statements to be based on reasonable assumptions, it can give no assurances that its expectations will be attained. Factors that could cause actual results to differ include general domestic and international economic conditions, industry and market conditions, changes in the Company’s financial position, litigation brought by any party in any court in Israel, the United States, or any country in which Taro operates, regulatory and legislative actions in the countries in which Taro operates, and other risks detailed from time to time in the Company’s SEC reports, including its Annual Reports on Form 20-F. Forward-looking statements are applicable only as of the date on which they are made. The Company undertakes no obligations to update, change or revise any forward-looking statement, whether as a result of new information, additional or subsequent developments or otherwise.

****Financial Tables Follow****

Taro Pharmaceutical Industries Ltd.

Page 3 of 5

TARO PHARMACEUTICAL INDUSTRIES LTD.

SUMMARY CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(U.S. dollars in thousands, except share data)

| | Quarter Ended December 31, | | Nine Months Ended December 31, | |
|--|-------------------------------|------------|-----------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Sales, net | \$213,598 | \$ 185,695 | \$572,109 | \$ 505,821 |
| Cost of sales | 41,136 | 45,769 | 133,461 | 130,470 |
| Gross Profit | 172,462 | 139,926 | 438,648 | 375,351 |
| Operating Expenses: | | | | |
| Research and development, net | 15,124 | 11,838 | 42,263 | 34,306 |
| Selling, marketing, general and administrative | 21,904 | 20,753 | 65,086 | 64,312 |
| Settlements and loss contingencies | 540 | 3,300 | 2,590 | 11,300 |
| Operating income | 134,894 | 104,035 | 328,709 | 265,433 |
| Financial Expenses, net: | | | | |
| Interest and other financial (income) expenses, net | (1,436) | (581) | (3,926) | (440) |
| Foreign exchange (income) | (2,513) | (1,992) | (3,221) | (1,736) |
| Other income, net | 436 | 1,359 | 962 | 1,952 |
| Income before income taxes | 139,279 | 107,967 | 336,818 | 269,561 |
| Tax expense | 23,514 | 18,779 | 65,296 | 51,713 |
| Income from continuing operations | 115,765 | 89,188 | 271,522 | 217,848 |
| Net loss from discontinued operations | (50) | (37) | (222) | (44) |
| Net income | 115,715 | 89,151 | 271,300 | 217,804 |
| Net income attributable to non-controlling interest | 100 | 374 | 553 | 765 |
| Net income attributable to Taro | \$115,615 | \$88,777 | \$270,747 | \$217,039 |
| Net income per ordinary share from continuing operations attributable to Taro: | | | | |
| Basic | \$2.59 | \$1.98 | \$6.06 | \$4.86 |
| Diluted | \$2.59 | \$1.98 | \$6.05 | \$4.86 |
| Net loss per ordinary share from discontinued operations attributable to Taro: | | | | |
| Basic | \$(0.00)* | \$(0.00)* | \$(0.01) | \$(0.00)* |
| Diluted | \$(0.00)* | \$(0.00)* | \$(0.00)* | \$(0.00)* |
| Net income per ordinary share attributable to Taro: | | | | |
| Basic | \$2.59 | \$1.98 | \$6.05 | \$4.86 |
| Diluted | \$2.59 | \$1.98 | \$6.05 | \$4.86 |

Edgar Filing: TARO PHARMACEUTICAL INDUSTRIES LTD - Form 6-K

Weighted-average number of shares used to compute net
income per share:

| | | | | |
|---------|------------|------------|------------|------------|
| Basic | 44,700,460 | 44,725,898 | 44,749,065 | 44,651,534 |
| Diluted | 44,703,837 | 44,740,427 | 44,752,633 | 44,699,715 |

* Amount is less than \$0.01.

May not foot due to rounding.

Taro Pharmaceutical Industries Ltd.

Page 4 of 5

TARO PHARMACEUTICAL INDUSTRIES LTD.
SUMMARY CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands)

| | December 31, 2013 (unaudited) | March 31, 2013 (audited) |
|---|--|--------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$207,455 | \$237,284 |
| Short-term bank deposits | 362,901 | 312,603 |
| Restricted short-term bank deposits | - | 7,430 |
| Marketable securities | 3,102 | 3,183 |
| Accounts receivable and other: | | |
| Trade, net | 127,010 | 119,810 |
| Other receivables and prepaid expenses | 158,002 | 119,768 |
| Inventories | 119,822 | 109,626 |
| Long-term assets held for sale, net | 73 | 67 |
| TOTAL CURRENT ASSETS | 978,365 | 909,771 |
| Long-term receivables and other assets | 45,757 | 23,227 |
| Property, plant and equipment, net | 150,960 | 145,265 |
| Other assets | 29,942 | 28,373 |
| TOTAL ASSETS | \$1,205,024 | \$1,106,636 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | \$12,084 | \$11,330 |
| Trade payables and other current liabilities | 231,849 | 181,201 |
| TOTAL CURRENT LIABILITIES | 243,933 | 192,531 |
| Long-term debt, net of current maturities | 6,107 | 17,269 |
| Deferred taxes and other long-term liabilities | 5,120 | 5,875 |
| TOTAL LIABILITIES | 255,160 | 215,675 |
| Taro shareholders' equity | 944,697 | 886,347 |
| Non-controlling interest | 5,167 | 4,614 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$1,205,024 | \$1,106,636 |

Taro Pharmaceutical Industries Ltd.

Page 5 of 5

TARO PHARMACEUTICAL INDUSTRIES LTD.
SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(U.S. dollars in thousands)

| | Nine Months Ended December 31, | |
|--|--------------------------------|------------|
| | 2013 | 2012 |
| Operating Activities: | | |
| Net income | \$ 271,300 | \$ 217,804 |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,408 | 13,493 |
| Share-based compensation expense | - | 8 |
| (Gain) loss on sale of long-lived assets and marketable securities, net | (5) | 106 |
| Increase (decrease) in long-term debt due to currency fluctuations | 1,260 | (23) |
| Increase in trade receivables, net | (7,542) | (23,417) |
| Change in derivative instruments, net | 2,426 | 1,048 |
| Increase in other receivables, prepaid expenses and other assets | (37,741) | (10,622) |
| Increase in inventories, net | (11,646) | (1,021) |
| Effect of exchange differences on inter-company balances | (6,858) | 367 |
| Increase (decrease) in trade and other payables and liabilities | 50,113 | (24,647) |
| Net cash provided by operating activities | 273,715 | 173,096 |
| Investing Activities: | | |
| Purchase of property, plant & equipment | (16,646) | (6,183) |
| Investment in other intangible assets | (4,401) | (765) |
| Investment in long-term security deposits and other assets | (25,076) | (5,289) |
| Investment in short-term bank deposits | (56,581) | (126,415) |
| Proceeds from restricted bank deposits | 7,430 | 8,350 |
| (Investment in) proceeds from marketable securities | (50) | 1 |
| Net cash used in investing activities | (95,324) | (130,301) |
| Financing Activities: | | |
| Purchase of treasury shares | (192,993) | - |
| Excess tax benefits from share-based payment arrangements | 97 | - |
| Proceeds from issuance of shares, net | 1,189 | 5,877 |
| Repayments of long-term debt | (11,668) | (10,554) |
| Net cash used in financing activities | (203,375) | (4,677) |
| Effect of exchange rate changes | (4,845) | 611 |
| Net (decrease) increase in cash | (29,829) | 38,729 |
| Cash at beginning of period | 237,284 | 238,266 |
| Cash at end of period | \$207,455 | \$276,995 |

#####

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 10, 2014

TARO PHARMACEUTICAL INDUSTRIES LTD.

By: /s/ Subramanian Kalyanasundaram

| | |
|--------|---|
| Name: | Subramanian Kalyanasundaram |
| Title: | Chief Executive Officer and Director |