

CONMED CORP
Form 10-Q
April 29, 2013

UNITED STATES
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, 2013

Commission File Number
0-16093

CONMED CORPORATION
(Exact name of the registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)
525 French Road, Utica, New York
(Address of principal executive offices)

16-0977505
(I.R.S. Employer
Identification No.)
13502
(Zip Code)

(315) 797-8375
(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 shorter period that the registrant was required to submit and post such files).

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 definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

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Large accelerated filer Accelerated filer Non-accelerated filer 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

The number of shares outstanding of registrant's common stock, as of April 24, 2013 is 27,732,070 shares.

CONMED CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2013

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PART I FINANCIAL INFORMATION

Item 1.

CONMED CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, in thousands except per share amounts)

	Three Months Ended March 31,	
	2012	2013
Net sales	\$194,316	\$187,014
Cost of sales	93,405	84,332
Gross profit	100,911	102,682
Selling and administrative expense	74,806	77,725
Research and development expense	7,095	5,694
Medical device excise tax	—	1,580
Other expense	1,988	1,813
	83,889	86,812
Income from operations	17,022	15,870
Loss on early extinguishment of debt	—	263
Interest expense	1,437	1,366
Income before income taxes	15,585	14,241
Provision for income taxes	5,617	3,749
Net income	\$9,968	\$10,492
Comprehensive income	\$11,045	\$11,374
Per share data:		
Net income		
Basic	\$0.36	\$0.37
Diluted	0.35	0.37
Dividends per share of common stock	\$0.15	\$0.15
Weighted average common shares		

Basic	28,029	28,127
Diluted	28,484	28,500

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
 CONSOLIDATED CONDENSED BALANCE SHEETS
 (Unaudited, in thousands except share and per share amounts)

	December 31, 2012	March 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$23,720	\$32,359
Accounts receivable, net	139,124	135,597
Inventories	156,228	156,873
Income taxes receivable	2,897	2,000
Deferred income taxes	11,931	10,703
Prepaid expenses and other current assets	14,993	16,466
Total current assets	348,893	353,998
Property, plant and equipment, net	139,041	138,411
Deferred income taxes	1,057	1,188
Goodwill	249,160	249,160
Other intangible assets, net	190,809	188,809
Other assets	150,547	151,419
Total assets	\$1,079,507	\$1,082,985
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$1,050	\$1,050
Accounts payable	23,622	25,045
Accrued compensation and benefits	33,511	24,538
Income taxes payable	2,706	2,100
Other current liabilities	64,325	44,442
Total current liabilities	125,214	97,175
Long-term debt	160,802	224,802
Deferred income taxes	99,857	102,199
Other long-term liabilities	86,636	61,229
Total liabilities	472,509	485,405
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.01 per share; authorized 500,000 shares; none outstanding	—	—
Common stock, par value \$.01 per share; 100,000,000 shares authorized; 31,299,194 shares issued in 2012 and 2013, respectively	313	313
Paid-in capital	324,322	325,801
Retained earnings	377,907	384,210

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Accumulated other comprehensive loss	(27,581) (26,699)
Less: 2,925,801 and 3,455,985 shares of common stock in treasury, at cost in 2012 and 2013, respectively	(67,963) (86,045)
Total shareholders' equity	606,998	597,580	
Total liabilities and shareholders' equity	\$1,079,507	\$1,082,985	

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31,		
	2012	2013	
Cash flows from operating activities:			
Net income	\$9,968	\$10,492	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,688	4,619	
Amortization	7,124	7,110	
Stock-based compensation	1,183	1,152	
Deferred income taxes	2,735	1,914	
Loss on early extinguishment of debt	—	263	
Increase (decrease) in cash flows from changes in assets and liabilities:			
Accounts receivable	(5,618) 3,042	
Inventories	2,764	(4,858)
Accounts payable	2,601	313	
Income taxes receivable (payable)	(1,232) 244	
Accrued compensation and benefits	(10,446) (8,830)
Other assets	(1,106) (2,423)
Other liabilities	(5,032) (7,566)
	(2,339) (5,020)
Net cash provided by operating activities	7,629	5,472	
Cash flows from investing activities:			
Purchases of property, plant and equipment	(6,424) (4,130)
Payments related to distribution agreement	(64,116) —	
Net cash used in investing activities	(70,540) (4,130)
Cash flows from financing activities:			
Net proceeds from common stock issued under employee plans	5,345	7,633	
Repurchase of common stock	—	(25,732)
Payments on senior credit agreement	(338) —	
Proceeds from senior credit agreement	50,000	64,000	
Payment related to distribution agreement	—	(34,000)
Payments related to issuance of debt	—	(1,636)
Dividends paid on common stock	—	(4,256)
Other, net	809	1,625	
Net cash provided by financing activities	55,816	7,634	
Effect of exchange rate changes on cash and cash equivalents	501	(337)
Net increase (decrease) in cash and cash equivalents	(6,594) 8,639	

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Cash and cash equivalents at beginning of period	26,048	23,720
Cash and cash equivalents at end of period	\$19,454	\$32,359
Non-cash financing activities:		
Dividends payable	\$4,328	\$4,189

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
 (Unaudited, in thousands except per share amounts)

Note 1 – Operations

CONMED Corporation (“CONMED”, the “Company”, “we” or “us”) is a medical technology company with an emphasis on surgical devices and equipment for minimally invasive procedures and monitoring. The Company’s products are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery and gastroenterology.

Note 2 - Interim Financial Information

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. Results for the period ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The consolidated condensed financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year ended December 31, 2012 included in our Annual Report on Form 10-K.

Income taxes receivable and income taxes payable at December 31, 2012 have been revised to conform to the current year presentation.

Note 3 – Comprehensive Income

Comprehensive income consists of the following:

	Three Months Ended March 31,	
	2012	2013
Net income	\$9,968	\$10,492
Other comprehensive income:		
Pension liability, net of income tax	462	461
Cash flow hedging gain (loss), net of income tax	(1,561) 2,127
Foreign currency translation adjustment	2,176	(1,706)
Comprehensive income	\$11,045	\$11,374

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Accumulated other comprehensive income (loss) consists of the following:

	Cash Flow Hedging Gain (Loss) ^a	Pension Liability ^a	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2012	\$ (1,130)			