

CELGENE CORP /DE/
Form 10-Q
July 26, 2018

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 30, 2018

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 001-34912

CELGENE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

22-2711928

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

86 Morris Avenue, Summit, NJ

07901

(Address of principal executive offices)

(Zip Code)

(908) 673-9000

(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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicated by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes NoX

As of July 23, 2018, 703,363,010 shares of Common Stock, par value \$.01 per share, were outstanding.

CELGENE CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in millions, except per share amounts)

	Three-Month Periods Ended		Six-Month Periods Ended	
	June 30, 2018	2017	June 30, 2018	2017
Revenue:				
Net product sales	\$3,808	\$3,259	\$7,339	\$6,211
Other revenue	6	12	13	22
Total revenue	3,814	3,271	7,352	6,233
Expenses:				
Cost of goods sold (excluding amortization of acquired intangible assets)	126	111	261	224
Research and development	1,251	835	3,454	1,830
Selling, general and administrative	790	939	1,654	1,559
Amortization of acquired intangible assets	127	88	214	170
Acquisition related charges (income) and restructuring, net	34	(13)	65	26
Total costs and expenses	2,328	1,960	5,648	3,809
Operating income	1,486	1,311	1,704	2,424
Other income and (expense):				
Interest and investment income, net	9	24	22	39
Interest (expense)	(192)	(126)	(358)	(253)
Other income (expense), net	4	(31)	969	(18)
Income before income taxes	1,307	1,178	2,337	2,192
Income tax provision	262	77	446	159
Net income	\$1,045	\$1,101	\$1,891	\$2,033
Net income per common share:				
Basic	\$1.46	\$1.41	\$2.58	\$2.61
Diluted	\$1.43	\$1.36	\$2.52	\$2.51
Weighted average shares:				
Basic	716.1	780.4	732.1	779.7
Diluted	732.6	811.7	750.6	811.5

See accompanying Notes to Unaudited Consolidated Financial Statements

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in millions)

	Three-Month Periods Ended June 30,		Six-Month Periods Ended June 30,	
	2018	2017	2018	2017
Net income	\$1,045	\$1,101	\$1,891	\$2,033
Other comprehensive income (loss):				
Foreign currency translation adjustments	(28)	31	(12)	41
Net unrealized gains (losses) related to cash flow hedges:				
Unrealized holding gains (losses)	226	(198)	127	(266)
Tax benefit	—	7	1	7
Unrealized holding gains (losses), net of tax	226	(191)	128	(259)
Reclassification adjustment for losses (gains) included in net income	13	(79)	40	(163)
Tax (benefit)	(1)	(1)	(1)	(2)
Reclassification adjustment for losses (gains) included in net income, net of tax	12	(80)	39	(165)
Excluded component related to cash flow hedges:				
Amortization of excluded component (gains)	(7)	(3)	(15)	(5)
Reclassification of realized excluded component losses to net income	6	—	17	—
Net reclassification adjustment included in net income	(1)	(3)	2	(5)
Net unrealized gains (losses) on available-for-sale debt / marketable securities (see Note 1):				
Unrealized holding gains (losses)	—	2	(9)	229
Tax (expense) benefit	—	(1)	2	(81)
Unrealized holding gains (losses), net of tax	—	1	(7)	148
Reclassification adjustment for losses included in net income	—	34	18	34
Tax (benefit)	—	(13)	(4)	(13)
Reclassification adjustment for losses included in net income, net of tax	—	21	14	21
Total other comprehensive income (loss)	209	(221)	164	(219)
Comprehensive income	\$1,254	\$880	\$2,055	\$1,814

See accompanying Notes to Unaudited Consolidated Financial Statements

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in millions, except per share amounts)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$1,503	\$ 7,013
Debt securities available-for-sale	79	3,219
Equity investments with readily determinable fair values	1,828	1,810
Accounts receivable, net of allowances of \$37 and \$36 as of June 30, 2018 and December 31, 2017, respectively	2,064	1,921
Inventory	555	541
Other current assets	824	388
Total current assets	6,853	14,892
Property, plant and equipment, net	1,292	1,070
Intangible assets, net	16,470	8,436
Goodwill	8,004	4,866
Other non-current assets	825	877
Total assets	\$33,444	\$ 30,141
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$1,497	\$ —
Accounts payable	294	305
Accrued expenses and other current liabilities	2,615	2,523
Income taxes payable	32	84
Current portion of deferred revenue	64	75
Total current liabilities	4,502	2,987
Deferred revenue, net of current portion	63	34
Income taxes payable	2,368	2,490
Deferred income tax liabilities	2,771	1,327
Other non-current liabilities		