

THERMO FISHER SCIENTIFIC INC.
Form 10-Q
May 04, 2012

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 Quarter Ended March 31, 2012

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-8002

THERMO FISHER SCIENTIFIC INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation or organization)

04-2209186
(I.R.S. Employer Identification No.)

81 Wyman Street
Waltham, Massachusetts
(Address of principal executive offices)

02451
(Zip Code)

Registrant's telephone number, including area code: (781) 622-1000

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 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 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 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.

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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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Outstanding at March 31, 2012
Common Stock, \$1.00 par value	367,303,351

THERMO FISHER SCIENTIFIC INC.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET
(Unaudited)

(In millions)	March 31, 2012	December 31, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 788.3	\$ 1,016.3
Short-term investments, at quoted market value (cost of \$4.8 and \$4.8)	4.3	4.3
Accounts receivable, less allowances of \$73.3 and \$67.4	1,894.8	1,814.1
Inventories	1,422.3	1,355.4
Deferred tax assets	160.1	159.7
Other current assets	499.7	472.1
	4,769.5	4,821.9
Property, Plant and Equipment, at Cost, Net	1,665.3	1,656.2
Acquisition-related Intangible Assets, Net	7,739.1	7,815.9
Other Assets	564.3	551.7
Goodwill	12,084.5	11,988.0
	\$ 26,822.7	\$ 26,833.7

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED BALANCE SHEET (Continued)
(Unaudited)

(In millions except share amounts)	March 31, 2012	December 31, 2011
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	\$ 924.2	\$ 1,272.8
Accounts payable	691.4	628.7
Accrued payroll and employee benefits	301.8	327.2
Deferred revenue	227.4	192.5
Other accrued expenses	700.6	691.9
	2,845.4	3,113.1
Deferred Income Taxes	2,218.7	2,230.9
Other Long-term Liabilities	718.6	696.4
Long-term Obligations	5,751.0	5,755.2
Shareholders' Equity:		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 408,489,577 and 406,416,940 shares issued	408.5	406.4
Capital in excess of par value	10,231.8	10,152.0
Retained earnings	6,945.6	6,716.3
Treasury stock at cost, 41,186,226 and 35,033,919 shares	(2,146.0)	(1,837.1)
Accumulated other comprehensive items	(150.9)	(399.5)
	15,289.0	15,038.1
	\$ 26,822.7	\$ 26,833.7

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(In millions except per share amounts)	Three Months Ended	
	March 31, 2012	April 2, 2011
Revenues:		
Product revenues	\$ 2,668.5	\$ 2,336.1
Service revenues	431.8	385.3
	3,100.3	2,721.4
Costs and Operating Expenses:		
Cost of product revenues	1,540.5	1,354.8
Cost of service revenues	268.0	246.3
Selling, general and administrative expenses	830.0	708.7
Research and development expenses	91.8	74.8
Restructuring and other costs, net	15.1	15.3
	2,745.4	2,399.9
Operating Income	354.9	321.5
Other Expense, Net	(49.9)	(22.5)
Income from Continuing Operations Before Provision for Income Taxes	305.0	299.0
Provision for Income Taxes	(28.0)	(51.8)
Income from Continuing Operations	277.0	247.2
Income from Discontinued Operations (net of income tax provision of \$0.0 and \$3.6)	—	5.5
Gain (Loss) on Disposal of Discontinued Operations, Net (net of income tax provision (benefit) of \$0.2 and \$(0.3))	0.3	(0.5)
Net Income	\$ 277.3	\$ 252.2
Earnings per Share from Continuing Operations		
Basic	\$.75	\$.64
Diluted	\$.75	\$.63
Earnings per Share		
Basic	\$.76	\$.65
Diluted	\$.75	\$.64
Weighted Average Shares		
Basic	367.3	388.6
Diluted	370.1	394.6

Cash Dividend Declared per Common Share	\$.13	\$ —
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The accompanying notes are an integral part of these consolidated financial statements.

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended	
	March 31, 2012	April 2, 2011
Comprehensive Income		
Net Income	\$ 277.3	\$ 252.2
Other Comprehensive Items:		
Currency translation adjustment	248.5	119.8
Unrealized gains on available-for-sale investments (net of tax provision of \$0.0 and \$0.2)	—	0.4
Unrealized gains on hedging instruments (net of tax provision of \$0.5 and \$0.0)	0.8	0.1
Pension and other postretirement benefit liability adjustments (net of tax benefit (provision) of \$0.1 and \$(0.0))	(0.7)	0.1
	248.6	120.4
	\$ 525.9	\$ 372.6

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended	
	March 31, 2012	April 2, 2011
Operating Activities		
Net Income	\$ 277.3	\$ 252.2
Income from discontinued operations	—	(5.5)
(Gain) loss on disposal of discontinued operations	(0.3)	0.5
Income from continuing operations	277.0	247.2
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	243.8	184.3
Change in deferred income taxes	(43.6)	(43.0)
Non-cash stock-based compensation	17.3	21.6
Non-cash charges for sale of inventories revalued at the date of acquisition	26.0	2.0
Tax benefits from stock-based compensation awards	(7.7)	(6.4)
Other non-cash expenses, net	12.0	10.0
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:		
Accounts receivable	(69.2)	(64.0)
Inventories	(76.9)	(63.1)
Other assets	(31.0)	9.0
Accounts payable	68.3	68.3
Other liabilities	(15.0)	(32.0)
Contributions to retirement plans	(8.5)	(8.0)
Net cash provided by continuing operations	392.5	325.9
Net cash (used in) provided by discontinued operations	(0.5)	12.7
Net cash provided by operating activities	392.0	338.6
Investing Activities		
Acquisitions, net of cash acquired	(0.5)	(23.7)
Purchase of property, plant and equipment	(69.4)	(63.7)
Proceeds from sale of property, plant and equipment	4.8	0.9
Other investing activities, net	(0.9)	(0.4)
Net cash used in continuing operations	(66.0)	(86.9)
Net cash used in discontinued operations	(0.2)	(2.0)

Net cash used in investing activities	\$ (66.2)	\$ (88.9)
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THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
(Unaudited)

(In millions)	Three Months Ended	
	March 31, 2012	April 2, 2011
Financing Activities		
Net proceeds from issuance of long-term debt	\$ —	\$ 2,176.4
Decrease in commercial paper, net	(349.6)	—
Settlement of convertible debt	—	(35.2)
Redemption and repayment of long-term obligations	(0.4)	(0.3)
Purchases of company common stock	(300.0)	(537.5)
Net proceeds from issuance of company common stock	55.1	44.5
Tax benefits from stock-based compensation awards	7.7	6.4
Increase (decrease) in short-term notes payable	2.2	(2.8)
Net cash (used in) provided by financing activities	(585.0)	1,651.5
Exchange Rate Effect on Cash	31.2	(29.6)
(Decrease) Increase in Cash and Cash Equivalents	(228.0)	1,871.6
Cash and Cash Equivalents at Beginning of Period	1,016.3	917.1
Cash and Cash Equivalents at End of Period	\$ 788.3	\$ 2,788.7

See Note 12 for supplemental cash flow information.

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock		Capital in	Retained	Treasury Stock	Accumulated	Total
	Shares	Amount	Excess of Par Value	Earnings	Shares	Other Comprehensive Items	
Balance at December 31, 2010	401.8	\$ 401.8	\$ 10,019.7	\$ 5,386.4	10.4	\$ (490.5) \$ 43.6	\$ 15,361.0
Issuance of shares under employees' and directors' stock plans	1.6	1.6	46.2	—	0.2	(8.7) —	39.1
Settlement of convertible debt	—	—	(8.3)	—	—	—	(8.3)
Stock-based compensation	—	—	21.9	—	—	—	—

LUXOR CAPITAL PARTNERS, LP

By: LCG Holdings, LLC
General Partner

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

LUXOR WAVEFRONT, LP

By: LCG Holdings, LLC
General Partner

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

LUXOR CAPITAL PARTNERS OFFSHORE MASTER FUND, LP

By: LCG Holdings, LLC
General Partner

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

LUXOR CAPITAL PARTNERS OFFSHORE, LTD.

By: Luxor Capital Group, LP
Investment Manager

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

LUXOR SPECTRUM OFFSHORE MASTER FUND, LP

By: LCG Holdings, LLC
General Partner

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

LUXOR SPECTRUM OFFSHORE, LTD.

By: Luxor Capital Group, LP
Investment Manager

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

LUXOR CAPITAL GROUP, LP

By: Luxor Management, LLC
General Partner

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

LCG HOLDINGS, LLC

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

LUXOR MANAGEMENT, LLC

By: /s/ Norris Nissim
Name: Norris Nissim
Title: General Counsel

/s/ Norris Nissim
NORRIS NISSIM, as Agent for Christian Leone