

Edwards Lifesciences Corp  
Form 10-Q  
November 08, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 September 30, 2011**

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 1-15525**

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**EDWARDS LIFESCIENCES CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**36-4316614**

(I.R.S. Employer Identification No.)

**One Edwards Way, Irvine, California**

(Address of principal executive offices)

**92614**

(Zip Code)

**(949) 250-2500**

(Registrant's telephone number, including area code)

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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, 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.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐

(Do not check if a 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 the registrant's common stock, \$1.00 par value, as of October 31, 2011 was 114,075,181.

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**EDWARDS LIFESCIENCES CORPORATION**

**FORM 10-Q**

**For the quarterly period ended September 30, 2011**

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**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

(in millions, except par value; unaudited)

	September 30, 2011	December 31, 2010
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 451.1	\$ 396.1
Accounts and other receivables, net of allowances of \$17.4 and \$11.6, respectively	346.8	302.5
Inventories, net (Note 3)	247.9	203.6
Deferred income taxes	25.3	32.3
Prepaid expenses	43.0	35.4
Other current assets	67.8	62.7
Total current assets	1,181.9	1,032.6
Property, plant and equipment, net	286.4	269.8
Goodwill (Note 4)	349.8	315.2
Other intangible assets, net (Note 5)	70.2	67.1
Investments in unconsolidated affiliates (Note 6)	21.4	25.0
Deferred income taxes	48.6	44.5
Other assets	24.6	13.0
	\$ 1,982.9	\$ 1,767.2

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 302.0	\$ 296.0
Short-term debt		41.8
Total current liabilities	302.0	337.8
Long-term debt (Note 7)	175.0	
Other long-term liabilities	151.3	121.2

Commitments and contingencies  
(Note 12)

<b>Stockholders' equity</b>		
Preferred stock, \$.01 par value, authorized 50.0 shares, no shares outstanding		

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Common stock, \$1.00 par value, 350.0 shares authorized, 119.5 and 117.0 shares issued, and 114.2 and 115.0 shares outstanding, respectively	119.5	117.0
Additional paid-in capital	326.5	211.3
Retained earnings	1,297.6	1,124.0
Accumulated other comprehensive loss	(23.2)	(42.1)
Treasury stock, at cost, 5.3 and 2.0 shares, respectively	(365.8)	(102.0)
 Total stockholders' equity	 1,354.6	 1,308.2
	\$ 1,982.9	\$ 1,767.2

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

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**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

(in millions, except per share information; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales	\$ 412.7	\$ 348.9	\$ 1,248.4	\$ 1,054.6
Cost of goods sold	125.6	95.8	370.2	294.8
Gross profit	287.1	253.1	878.2	759.8
Selling, general and administrative expenses	165.5	133.0	479.0	407.6
Research and development expenses	61.7	52.7	185.6	148.5
Special charges, net (Note 2)		3.9	4.0	12.2
Interest expense (income), net		0.4	(0.3)	1.1
Other expense (income), net	2.3	(3.1)	(5.1)	(7.7)
Income before provision for income taxes	57.6	66.2	215.0	198.1
Provision for income taxes	6.0	18.2	41.4	44.9
Net income	\$ 51.6	\$ 48.0	\$ 173.6	\$ 153.2

**Share information**

(Note 14)

Earnings per share:					
Basic	\$ 0.45	\$ 0.42	\$ 1.51	\$ 1.35	
Diluted	\$ 0.43	\$ 0.40	\$ 1.45	\$ 1.29	
Weighted-average number of common shares outstanding:					
Basic	114.6	113.6	114.8	113.4	
Diluted	119.0	118.9	119.8	118.9	

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

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**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(in millions; unaudited)

	Nine Months Ended September 30,	
	2011	2010
<b>Cash flows from operating activities</b>		
Net income	\$ 173.6	\$ 153.2
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	43.2	41.1
Stock-based compensation (Note 11)	26.0	22.4
Excess tax benefit from stock plans	(47.0)	(42.0)
Deferred income taxes	2.2	(6.8)
Special charges, net (Note 2)	4.0	12.2
Other	(1.2)	(5.3)
Changes in operating assets and liabilities:		
Accounts and other receivables, net	(38.5)	(31.8)
Inventories, net	(38.3)	(43.5)
Accounts payable and accrued liabilities	43.0	65.2
Prepaid expenses and other current assets	9.3	(11.7)
Other	(4.9)	4.4
Net cash provided by operating activities	171.4	157.4
<b>Cash flows from investing activities</b>		
Capital expenditures	(50.6)	(40.1)
Acquisition (Note 4)	(42.6)	
Proceeds from (investments in) unconsolidated affiliates, net	6.9	(1.9)
Proceeds from sale of assets	3.9	5.1
Proceeds from (investments in) trading securities, net	3.3	(0.3)
Investments in intangible assets	(2.3)	(1.2)
Net cash used in investing activities	(81.4)	(38.4)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt	505.5	216.8
Payments on debt	(376.7)	(207.6)
Purchases of treasury stock	(263.3)	(200.0)
Proceeds from stock plans	48.6	73.8
Excess tax benefit from stock plans	47.0	42.0
Other	0.7	(2.3)
Net cash used in financing activities	(38.2)	(77.3)
Effect of currency exchange rate changes on cash and cash equivalents	3.2	(14.8)
Net increase in cash and cash equivalents	55.0	26.9
Cash and cash equivalents at beginning of period	396.1	334.1

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Cash and cash equivalents at end of period	\$	451.1	\$	361.0
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### Supplemental disclosures:

Non-cash investing and financing transactions: