

PharMerica CORP
Form 10-Q
November 03, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 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: 001-33380

PHARMERICA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

1901 Campus Place

87-0792558
(I.R.S. Employer

Identification No.)

40299

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Louisville, KY
(Address of Principal Executive Offices)

(Zip Code)

(502) 627-7000

(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 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

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

Class of Common Stock
Common stock, \$0.01 par value

Outstanding at October 28, 2011
29,397,015 shares

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PHARMERICA CORPORATION

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2011	2010	2011
Revenues	\$ 443.1	\$ 518.7	\$ 1,355.8	\$ 1,585.5
Cost of goods sold	386.3	443.4	1,178.1	1,368.1
Gross profit	56.8	75.3	177.7	217.4
Selling, general and administrative expenses	43.3	54.7	131.1	161.4
Amortization expense	2.2	3.0	6.9	8.4
Impairment of intangible assets	-	5.1	-	5.1
Integration, merger and acquisition related costs and other charges	2.4	1.8	12.8	11.6
Operating income	8.9	10.7	26.9	30.9
Interest expense, net	0.9	2.6	2.6	6.3
Income before income taxes	8.0	8.1	24.3	24.6
Provision for income taxes	3.2	3.3	9.8	9.1
Net income	\$ 4.8	\$ 4.8	\$ 14.5	\$ 15.5
Earnings per common share:				
Basic	\$ 0.16	\$ 0.16	\$ 0.48	\$ 0.53
Diluted	\$ 0.16	\$ 0.16	\$ 0.48	\$ 0.53
Shares used in computing earnings per common share:				
Basic	30,033,618	29,366,998	30,282,566	29,324,094
Diluted	30,122,302	29,531,095	30,423,035	29,423,330

See accompanying Notes to Condensed Consolidated Financial Statements

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PHARMERICA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

As of December 31, 2010 and September 30, 2011

(Unaudited)

(In millions, except share and per share amounts)

	(As Adjusted) December 31, 2010	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10.8	\$ 10.3
Accounts receivable, net	237.1	239.9
Inventory	88.5	118.4
Deferred tax assets, net	23.5	38.8
Prepays and other assets	24.6	31.4
	384.5	438.8
Equipment and leasehold improvements	136.0	143.9
Accumulated depreciation	(76.5)	(90.4)
	59.5	53.5
Deferred tax assets, net	28.7	3.6
Goodwill	179.1	183.4
Intangible assets, net	102.2	93.1
Other	5.7	15.2
	\$ 759.7	\$ 787.6
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 74.2	\$ 53.2
Salaries, wages and other compensation	22.0	35.3
Current portion of long-term debt	-	3.1
Other accrued liabilities	7.1	10.5
	103.3	102.1
Long-term debt	245.6	257.9
Other long-term liabilities	26.4	23.1
Commitments and contingencies (See Note 6)		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share; 1,000,000 shares authorized and no shares issued, December 31, 2010 and September 30, 2011	-	-
Common stock, \$0.01 par value per share; 175,000,000 shares authorized; 30,696,261 and 30,735,615 shares issued as of December 31, 2010 and September 30, 2011, respectively.	0.3	0.3
Capital in excess of par value	349.7	354.4
Retained earnings	45.0	60.5
Treasury stock at cost, 1,336,817 at December 31, 2010 and 1,344,939 shares at September 30, 2011	(10.6)	(10.7)
	384.4	404.5

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\$ 759.7 \$ 787.6

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**PHARMERICA CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Three Months and Nine Months Ended September 30, 2010 and 2011****(Unaudited)****(In millions)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2011	2010	2011
Cash flows provided by (used in) operating activities:				
Net income	\$ 4.8	\$ 4.8	\$ 14.5	\$ 15.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	4.8	4.8	14.1	14.9
Amortization	2.2	3.0	6.9	8.4
Impairment charge	-	5.1	-	5.1
Integration, merger and acquisition related costs and other charges	0.1	0.5	0.6	1.2
Stock-based compensation	0.8	1.3	3.3	4.5
Amortization of deferred financing fees	0.1	0.2	0.4	0.7
Deferred income taxes	3.4	2.9	9.1	9.8
Loss on disposition of equipment	0.1	0.1	0.2	0.3
Other	-	(0.2)	-	(0.2)
Change in operating assets and liabilities:				
Accounts receivable, net	6.7	6.1	21.3	(2.2)
Inventory and other assets	3.1	10.8	4.5	(29.1)
Prepays and other assets	2.2	1.9	4.8	(6.9)
Accounts payable	(4.6)	(28.3)	(9.3)	(21.3)
Salaries, wages and other compensation	(0.6)	(0.9)	(5.3)	11.6
Other accrued and long-term liabilities	0.4	(0.1)	3.7	-
Net cash provided by operating activities	23.5	12.0	68.8	12.3