

ORTHOFIX INTERNATIONAL N V
Form 10-Q
October 30, 2017

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, 2017

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: 0-19961

ORTHOFIX INTERNATIONAL N.V.

(Exact name of registrant as specified in its charter)

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(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

7 Abraham de Veerstraat

Curaçao Not applicable
(Address of principal executive offices) (Zip Code)

599-9-4658525

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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, 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, indicate 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 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 27, 2017, 18,231,334 shares of common stock were issued and outstanding.

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Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (“the Exchange Act”), and Section 27A of the Securities Act of 1933, as amended, relating to our business and financial outlook, which are based on our current beliefs, assumptions, expectations, estimates, forecasts and projections. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “intends,” “predicts,” “potential,” or “continue” or other terminology. These forward-looking statements are not guarantees of our future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict, including the risks described Part I, Item 1A under the heading Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 Form 10-K”). Therefore, our actual outcomes and results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date hereof, unless it is specifically otherwise stated to be made as of a different date. We undertake no obligation to further update any such statement, or the risk factors described in the 2016 Form 10-K, to reflect new information, the occurrence of future events or circumstances or otherwise.

Trademarks

Solely for convenience, our trademarks and trade names in this report are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that we will not assert, to the fullest extent under applicable law, our rights thereto.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ORTHOFIX INTERNATIONAL N.V.

Condensed Consolidated Balance Sheets

| | September 30, | December 31, |
|---|---------------|--------------|
| (U.S. Dollars, in thousands, except share data) | 2017 | 2016 |
| | (Unaudited) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 53,925 | \$ 39,572 |
| Restricted cash | — | 14,369 |
| Accounts receivable, net of allowances of \$8,925 and \$8,396, respectively | 61,187 | 57,848 |
| Inventories | 80,124 | 63,346 |
| Prepaid expenses and other current assets | 18,172 | 19,238 |
| Total current assets | 213,408 | 194,373 |
| Property, plant and equipment, net | 46,678 | 48,916 |
| Patents and other intangible assets, net | 9,915 | 7,461 |
| Goodwill | 53,565 | 53,565 |
| Deferred income taxes | 47,052 | 47,325 |
| Other long-term assets | 15,683 | 20,463 |
| Total assets | \$ 386,301 | \$ 372,103 |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Accounts payable | \$ 13,352 | \$ 14,353 |
| Other current liabilities | 60,718 | 69,088 |
| Total current liabilities | 74,070 | 83,441 |
| Other long-term liabilities | 26,920 | 25,185 |
| Total liabilities | 100,990 | 108,626 |
| Contingencies (Note 6) | | |
| Shareholders' equity | | |
| Common shares \$0.10 par value; 50,000,000 shares authorized; | | |
| | | |
| 18,212,916 and 17,828,155 issued and outstanding as of September 30, | | |
| 2017 and December 31, 2016, respectively | 1,821 | 1,783 |
| Additional paid-in capital | 215,778 | 204,095 |
| Retained earnings | 68,834 | 64,179 |
| Accumulated other comprehensive loss | (1,122) | (6,580) |
| Total shareholders' equity | 285,311 | 263,477 |
| Total liabilities and shareholders' equity | \$ 386,301 | \$ 372,103 |

The accompanying notes form an integral part of these condensed consolidated financial statements

ORTHOFIX INTERNATIONAL N.V.

Condensed Consolidated Statements of Operations and Comprehensive Income

| (Unaudited, U.S. Dollars, in thousands, except share and per share data) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Net sales | \$ 105,247 | \$ 98,497 | \$ 316,927 | \$ 301,251 |
| Cost of sales | 23,717 | 19,880 | 69,475 | 64,533 |
| Gross profit | 81,530 | 78,617 | 247,452 | 236,718 |
| Sales and marketing | 47,493 | 41,717 | 146,496 | 132,582 |
| General and administrative | 18,068 | 19,272 | 56,759 | 54,822 |
| Research and development | 6,935 | 6,858 | 21,246 | 21,294 |
| Charges related to U.S. Government resolutions | — | 1,499 | — | 14,369 |
| Operating income | 9,034 | 9,271 | 22,951 | 13,651 |
| Interest income (expense), net | (15) | 471 | 106 | 320 |
| Other income (expense), net | 479 | (634) | (3,284) | 1,346 |
| Income before income taxes | 9,498 | 9,108 | 19,773 | 15,317 |
| Income tax benefit (expense) | (6,150) | 1,276 | (13,998) | (6,703) |
| Net income from continuing operations | 3,348 | 10,384 | 5,775 | 8,614 |
| Discontinued operations (Note 6) | | | | |
| Income (loss) from discontinued operations | 65 | (1,018) | (1,762) | (3,580) |
| Income tax benefit | 43 | 530 | 642 | 1,258 |
| Net income (loss) from discontinued operations | 108 | (488) | (1,120) | (2,322) |
| Net income | \$ 3,456 | \$ 9,896 | \$ 4,655 | \$ 6,292 |
| Net income (loss) per common share—basic | | | | |
| Net income from continuing operations | \$ 0.18 | \$ 0.57 | \$ 0.32 | \$ 0.47 |
| Net income (loss) from discontinued operations | 0.01 | (0.02) | (0.06) | (0.13) |
| Net income per common share—basic | \$ 0.19 | \$ 0.55 | \$ 0.26 | \$ 0.34 |
| Net income (loss) per common share—diluted | | | | |
| Net income from continuing operations | \$ 0.18 | \$ 0.56 | \$ 0.31 | \$ 0.46 |
| Net income (loss) from discontinued operations | 0.01 | (0.02) | (0.06) | (0.12) |
| Net income per common share—diluted | \$ 0.19 | \$ 0.54 | \$ 0.25 | \$ 0.34 |
| Weighted average number of common shares: | | | | |
| Basic | 18,180,845 | 18,091,650 | 18,071,093 | 18,238,533 |
| Diluted | 18,572,791 | 18,382,118 | 18,394,542 | 18,569,861 |