

IDEXX LABORATORIES INC /DE
Form 10-K
February 17, 2017

UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended December 31,
2016

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:

0-19271

IDEXX LABORATORIES, INC.

(Exact name of registrant as specified in
its charter)

DELAWARE

(State or other jurisdiction)

or

other

jurisdiction

of 04092

incorporation

(ZIP Code)

or
organization)

ONE
IDEXX
DRIVE,
WESTBROOK,
MAINE

(Address
of
principal
executive
offices)

Registrant's telephone number, including
area code: 207-556-0300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.10 par value per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Do not check if a smaller reporting company) Smaller reporting company

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

Based on the closing sale price on June 30, 2016 of the registrant's Common Stock, the last business day of the registrant's most recently completed second fiscal quarter, as reported by the NASDAQ Global Select Market, the aggregate market value of the voting stock held by non-affiliates of the registrant was \$8,215,859,816. For these purposes, the registrant considers its directors and executive officers to be its only affiliates.

The number of shares outstanding of the registrant's Common Stock was 88,005,221 on February 6, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Part III—Specifically identified portions of the Company's definitive Proxy Statement to be filed in connection with the Company's 2017 annual meeting of stockholders (the "2017 Annual Meeting"), to be held on May 3, 2017, are incorporated herein by reference.

GLOSSARY OF TERMS AND SELECTED ABBREVIATIONS

Term/ Abbreviation	Definition
2015 Amended Agreement	Amended and Restated Multi-Currency Note Purchase and Private Shelf Agreement executed in June 2015
2021 Notes	\$50 million of 3.32% Series A Senior Notes due July 21, 2021
2022 Notes	\$75 million of 3.25% Series A Senior Notes due February 12, 2022
2023 Notes	\$75 million of 3.94% Series A Senior Notes due December 11, 2023
2024 Notes	\$75 million of 3.76% Series B Senior Notes due July 21, 2024
2025 Series B Notes	\$75 million of 4.04% Series B Senior Notes due December 11, 2025
2025 Series C Notes	€88.9 million of 1.785% Series C Senior Notes due June 18, 2025
2026 Notes	\$75 million of unsecured 3.72% Senior notes due September 4, 2026
2027 Notes	\$75 million of 3.72% Series B Senior Notes due February 12, 2027
Adjusted operating income	A non-GAAP financial measure that represents total Company operating income adjusted for the 2015 software impairment charge and the 2014 adjustment for the all-direct sales strategy transition impacts. Adjusted operating income should be considered in addition to, and not as a replacement for or as a superior measure to, operating income reported in accordance with U.S. GAAP. Management believes that reporting adjusted operating income provides useful information to investors by facilitating easier comparisons of our operating income performance with prior and future periods and to the performance of our peers.
AOAC RI	Association of Analytical Communities Research Institute
AOCI	Accumulated other comprehensive income or loss
APHIS	Animal and Plant Health Inspector Service
BSE	Bovine spongiform encephalopathy
CAG	Companion Animal Group, reporting segment that provides to veterinarians' diagnostic capabilities and information management solutions that enhance the health and well-being of pets
cGMP	The FDA's current Good Manufacturing Practice regulations
Credit Facility	Our \$850 million five-year unsecured revolving credit facility under an amended and restated credit agreement that was executed in December 2015
EMA	Extended maintenance agreements
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share, if not specifically stated, EPS refers to earnings per share on a diluted basis
EU	European Union
FASB	Financial Accounting Standards Board
FDA	U.S. Food and Drug Administration

FDC Act	Food, Drug and Cosmetics Act
FeLV	Feline leukemia virus
FIV	Feline immunodeficiency virus, similar to the virus that leads to AIDS in humans
FTC	U.S. Federal Trade Commission
IVLS	IDEXX VetLab Station, connects and integrates the diagnostic information from all the IDEXX VetLab analyzers and thus provides reference laboratory information management system capability
Kits and consumables	Rapid assay kits and IDEXX VetLab consumables
LPD	Livestock, Poultry and Dairy, reporting segment that provides diagnostic products and services for livestock and poultry health and to ensure the quality and safety of milk
MEA	Multiple element arrangements, contracts with customers that include multiple deliverables
MetLife Agreement	Multi-Currency Note Purchase and Private Shelf Agreement
Moss	Moss Inc., a supplier of certain components used in our SNAP products and certain livestock and poultry testing kits
NASDAQ Index	The Total Return Index for the NASDAQ Stock Market (U.S. Companies) prepared by the Center for Research in Security Prices
NCIMS	National Conference of Interstate Milk Shipments
OCI	Other comprehensive income or loss
OPTI Medical	OPTI Medical Systems, Inc. a wholly-owned subsidiary of IDEXX Laboratories, is a supplier of dry slide electrolyte consumables and instruments for the human point-of-care medical diagnostics market, also referred to as OPTI

Organic revenue growth	A non-GAAP financial measure and represents the percentage change in revenue, as compared to the same period for the prior year, net of the effect of changes in foreign currency exchange rates, acquisitions and divestitures. Organic revenue growth should be considered in addition to, and not as a replacement for or as a superior measure to, revenues reported in accordance with U.S. GAAP, and may not be comparable to similarly titled measures reported by other companies. Management believes that reporting organic revenue growth provides useful information to investors by facilitating easier comparisons of our revenue performance with prior and future periods and to the performance of our peers.
Ortho	Ortho-Clinical Diagnostics, Inc., a supplier of dry slide consumables used in our Catalyst Dx Chemistry Analyzer, Catalyst One Chemistry Analyzer and the VetTest Chemistry Analyzer
PACS	Picture archiving and communication software, our software solution for accessing, storing and sharing diagnostic images
R&D	Research and Development
Reagent rentals	Refers to instruments being placed at customer sites at little or no cost in exchange for a long-term customer commitment to purchase instrument consumables.
S&P	Standard & Poor's
SaaS	Software-as-a-service
SEC	U.S. Securities Exchange Commission
Senior Notes Agreement	Private placement senior notes having an aggregate principal amount of approximately \$600 million, referred to as senior notes
T ₄	Thyroxine, a hormone produced by the thyroid gland, tested to indicate thyroid health
TPE	Third-party evidence, relevant in determining revenue recognition for multiple element arrangement
U.S. GAAP	Accounting principles generally accepted in the United States of America
USDA	United States Department of Agriculture
VSOE	Vendor-specific objective evidence, relevant in determining revenue recognition for multiple element arrangements.
Water	Water quality products, reporting segment that provides water quality products around the world

IDEXX LABORATORIES, INC.

Annual Report on Form 10-K

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The terms “IDEXX,” “Company,” “registrant,” “we,” “us,” and “our” included in this Annual Report on Form 10-K mean IDEXX Laboratories, Inc. and all subsidiaries that are consolidated under Generally Accepted Accounting Principles.

We have included certain terms and abbreviations used throughout this Annual Report on Form 10-K in the "Glossary of Terms and Selected Abbreviations."

Our name, logo and the following terms used in this Annual Report on Form 10-K are either registered trademarks or trademarks of IDEXX Laboratories, Inc. in the United States and/or other countries: 4Dx®, Animana® Veterinary Software, Catalyst Dx®, Catalyst One®, Coag Dx™, Colilert®, Colisure®, Cornerstone®, DVMAX®, Enterolert®, Feline Triple®, Filta-Max®, Filta-Max xpress®, IDEXX I-Vision CR®, IDEXX I-Vision DR®, IDEXX I-Vision Mobile™, IDEXX ImageBank™, IDEXX Neo®, IDEXX-PACS™, IDEXX Petly® Plans, IDEXX SDMA®, IDEXX VetLab®, IDEXX VPM™, LaserCyte®, LaserCyte Dx™, OPTI®, OPTI LION™, PetChek®, PetDetect®, Pet Health Network®, Practice Profile™, ProCyte Dx®, Pseudalert®, Quanti-Tray®, SediVue Dx®, SimPlate®, IDEXX SmartService™, SNAP®, SNAPduo®, SNAP Pro®, SNAP cPL®, SNAP fPL®, SNAPshot Dx®, IDEXX VetAutoread™, VetConnect®, IDEXX VetLab®UA™, VetLINK®, VetLyte®, VetStat®, VetTest® and VetVault®.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K for the year ended December 31, 2016, contains statements which, to the extent they are not statements of historical fact, constitute “forward-looking statements.” Such forward-looking statements about our business and expectations within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), include statements relating to future revenue growth rates, earnings and other measures of financial performance; the effect of economic downturns on our business performance; demand for our products; realizability of assets; future cash flow and uses of cash; future repurchases of common stock; future levels of indebtedness and capital spending; interest expense; warranty expense; share-based compensation expense; and competition. Forward-looking statements can be identified by the use of words such as “expects,” “may,” “anticipates,” “intends,” “would,” “will,” “plans,” “believes,” “estimates,” “should,” and similar words and expressions. These forward-looking statements are intended to provide our current expectations or forecasts of future events, are based on current estimates, projections, beliefs, and assumptions, and are not guarantees of future performance. Actual events or results may differ materially from those described in the forward-looking statements. These forward-looking statements involve a number of risks and uncertainties as more fully described under the heading “Part I, Item 1A. Risk Factors” in this Annual Report on Form 10-K. Any forward-looking statements represent our estimates only as of the day this

Annual Report on Form 10-K was first filed with the Securities and Exchange Commission (“SEC”) and should not be relied upon as representing our estimates as of any subsequent date. From time to time, oral or written forward-looking statements may also be included in other materials released to the public and they are subject to the risks and uncertainties described or cross-referenced in this section. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates or expectations change.

PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

IDEXX was incorporated i