

BRISTOL MYERS SQUIBB CO  
Form 10-Q  
July 26, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q  
(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

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:                      1-1136

BRISTOL-MYERS SQUIBB COMPANY  
(Exact name of registrant as specified in its charter)

Delaware                                      22-0790350  
(State or other jurisdiction of    (I.R.S. Employer  
incorporation or organization) Identification No.)

430 E. 29th Street, 14FL, New York, N.Y. 10016  
(Address of principal executive offices) (Zip Code)

(212) 546-4000  
(Registrant's telephone number, including area code)

(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 the 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 definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  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

APPLICABLE ONLY TO CORPORATE ISSUERS:

At June 30, 2018, there were 1,631,876,909 shares outstanding of the Registrant's \$0.10 par value common stock.

---

BRISTOL-MYERS SQUIBB COMPANY  
INDEX TO FORM 10-Q  
JUNE 30, 2018

PART I—FINANCIAL INFORMATION

Item 1.

Financial Statements:

<u>Consolidated Statements of Earnings and Comprehensive Income</u>	<u>3</u>
<u>Consolidated Balance Sheets</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>

Item 2.

<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
--	-----------

Item 3.

<u>Quantitative and Qualitative Disclosure About Market Risk</u>	<u>38</u>
--	-----------

Item 4.

<u>Controls and Procedures</u>	<u>38</u>
--------------------------------	-----------

PART II—OTHER INFORMATION

Item 1.

<u>Legal Proceedings</u>	<u>38</u>
--------------------------	-----------

Item 1A.

<u>Risk Factors</u>	<u>38</u>
---------------------	-----------

Item 2.

<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
--	-----------

Item 6.

<u>Exhibits</u>	<u>39</u>
-----------------	-----------

<u>Summary of Abbreviated Terms</u>	<u>40</u>
-------------------------------------	-----------

<u>Signatures</u>	<u>41</u>
-------------------	-----------

\* Indicates brand names of products which are trademarks not owned by BMS. Specific trademark ownership information is included in the Exhibit Index.

## PART I—FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## BRISTOL-MYERS SQUIBB COMPANY

## CONSOLIDATED STATEMENTS OF EARNINGS

Dollars in Millions, Except Per Share Data

(UNAUDITED)

	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
EARNINGS	2018	2017	2018	2017
Net product sales	\$5,461	\$4,770	\$10,433	\$9,350
Alliance and other revenues	243	374	464	723
Total Revenues	5,704	5,144	10,897	10,073
Cost of products sold	1,625	1,569	3,209	2,834
Marketing, selling and administrative	1,131	1,187	2,111	2,272
Research and development	2,435	1,679	3,685	2,982
Other income (net)	(4 )	(586 )	(404 )	(1,265 )
Total Expenses	5,187	3,849	8,601	6,823
Earnings Before Income Taxes	517	1,295	2,296	3,250
Provision for Income Taxes	135	373	419	802
Net Earnings	382	922	1,877	2,448
Noncontrolling Interest	9	6	18	(42 )
Net Earnings Attributable to BMS	\$373	\$916	\$1,859	\$2,490
Earnings per Common Share				
Basic	\$0.23	\$0.56	\$1.14	\$1.51
Diluted	0.23	0.56	1.13	1.50
Cash dividends declared per common share	\$0.40	\$0.39	\$0.80	\$0.78

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Dollars in Millions

(UNAUDITED)

	Three		Six Months	
	Months		Ended June 30,	
COMPREHENSIVE INCOME	Ended June		30,	
Net Earnings	2018	2017	2018	2017
Net Earnings	\$382	\$922	\$1,877	\$2,448
Other Comprehensive Income/(Loss), net of taxes and reclassifications to earnings:				
Derivatives qualifying as cash flow hedges	85	(31 )	66	(60 )
Pension and postretirement benefits	43	(27 )	172	56
Available-for-sale securities	(7 )	13	(33 )	19
Foreign currency translation	(221 )	(8 )	(216 )	21
Other Comprehensive Income	(100 )	(53 )	(11 )	36

Edgar Filing: BRISTOL MYERS SQUIBB CO - Form 10-Q

Comprehensive Income	282	869	1,866	2,484
Noncontrolling Interest	9	6	18	(42 )
Comprehensive Income Attributable to BMS	\$273	\$863	\$1,848	\$2,526

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

3

---

BRISTOL-MYERS SQUIBB COMPANY  
CONSOLIDATED BALANCE SHEETS

Dollars in Millions  
(UNAUDITED)

ASSETS	June 30, 2018	December 31, 2017
Current Assets:		
Cash and cash equivalents	\$4,999	\$ 5,421
Marketable securities	1,076	1,391
Receivables	5,559	6,300
Inventories	1,242	1,166
Prepaid expenses and other	998	576
Total Current Assets	13,874	14,854
Property, plant and equipment	5,080	5,001
Goodwill	6,683	6,863
Other intangible assets	1,090	1,210
Deferred income taxes	1,517	1,610
Marketable securities	2,117	2,480
Other assets	2,280	1,533
Total Assets	\$32,641	\$ 33,551

LIABILITIES

Current Liabilities:		
Short-term debt obligations	\$1,716	\$ 987
Accounts payable	1,873	2,248
Accrued liabilities	5,828	6,014
Deferred income	88	83
Income taxes payable	373	231
Total Current Liabilities	9,878	9,563
Deferred income	501	454
Income taxes payable	3,107	3,548
Pension and other liabilities	1,066	1,164
Long-term debt	5,671	6,975
Total Liabilities	20,223	21,704

Commitments and contingencies

EQUITY

Bristol-Myers Squibb Company Shareholders' Equity:		
Preferred stock	—	—
Common stock	221	221
Capital in excess of par value of stock	1,966	1,898
Accumulated other comprehensive loss	(2,334 )	(2,289 )
Retained earnings	32,044	31,160
Less cost of treasury stock	(19,580 )	(19,249 )
Total Bristol-Myers Squibb Company Shareholders' Equity	12,317	11,741
Noncontrolling interest	101	106
Total Equity	12,418	11,847
Total Liabilities and Equity	\$32,641	\$ 33,551

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

4

---

BRISTOL-MYERS SQUIBB COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in Millions  
(UNAUDITED)

	Six Months Ended June 30,	
	2018	2017
Cash Flows From Operating Activities:		
Net earnings	\$1,877	\$2,448
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization, net	300	404
Deferred income taxes	(37 )	21
Stock-based compensation	106	99
Impairment charges	104	219
Pension settlements and amortization	104	107
Divestiture gains and royalties	(497 )	(411 )
Asset acquisition charges	85	200
Loss/(gain) on equity investments	341	(12 )
Other adjustments	(27 )	111
Changes in operating assets and liabilities:		
Receivables	112	(454 )
Inventories	(122 )	(58 )
Accounts payable	(101 )	(85 )
Deferred income	92	(2 )
Income taxes payable	216	465
Other	(321 )	(607 )
Net Cash Provided by Operating Activities	2,232	2,445
Cash Flows From Investing Activities:		
Sale and maturities of marketable securities	1,080	2,283
Purchase of marketable securities	(447 )	(3,041 )
Capital expenditures	(437 )	(539 )
Divestiture and other proceeds	583	389
Acquisition and other payments	(1,170 )	(319 )
Net Cash Used in Investing Activities	(391 )	(1,227 )
Cash Flows From Financing Activities:		
Short-term debt obligations, net	(546 )	300
Issuance of long-term debt	—	1,488
Repayment of long-term debt	(5 )	(474 )
Repurchase of common stock	(320 )	(2,000 )
Dividends	(1,307 )	(1,298 )
Other	(59 )	(35 )
Net Cash Used in Financing Activities	(2,237 )	(2,019 )
Effect of Exchange Rates on Cash and Cash Equivalents	(26 )	34
Decrease in Cash and Cash Equivalents	(422 )	(767 )
Cash and Cash Equivalents at Beginning of Period	5,421	4,237
Cash and Cash Equivalents at End of Period	\$4,999	\$3,470

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





## Note 1. BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING STANDARDS

Bristol-Myers Squibb Company prepared these unaudited consolidated financial statements following the requirements of the SEC and U.S. GAAP for interim reporting. Under those rules, certain footnotes and other financial information that are normally required for annual financial statements can be condensed or omitted. The Company is responsible for the consolidated financial statements included in this Quarterly Report on Form 10-Q, which include all adjustments necessary for a fair presentation of the financial position at June 30, 2018 and December 31, 2017, the results of operations for the three and six months ended June 30, 2018 and 2017, and cash flows for the six months ended June 30, 2018 and 2017. All intercompany balances and transactions have been eliminated. These financial statements and the related notes should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 included in the 2017 Form 10-K. Refer to the Summary of Abbreviated Terms at the end of this Quarterly Report on Form 10-Q for terms used throughout the document.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the results and trends in these unaudited consolidated financial statements may not be indicative of full year operating results. The preparation of financial statements requires the use of management estimates, judgments and assumptions. The most significant assumptions are estimates used in determining sales rebate and return accruals; legal contingencies; income taxes; determining if an acquisition or divestiture is a business or an asset; and pension and postretirement benefits. Actual results may differ from estimates.

Certain prior period amounts were reclassified to conform to the current period presentation. Loss/(gain) on equity investments previously presented in Other adjustments in the consolidated statements of cash flows is now presented separately. The reclassification provides a more detailed financial statement presentation.

### Recently Adopted Accounting Standards

#### Revenue from Contracts with Customers

Amended guidance for revenue recognition was adopted in the first quarter of 2018 using the modified retrospective method with the cumulative effect of the change recognized in Retained earnings. The new guidance, referred to as ASC 606, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and replaces most of the existing revenue recognition standards in U.S. GAAP. A five-step model is utilized to achieve the core principle: (1) identify the customer contract; (2) identify the contract's performance obligation; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation; and (5) recognize revenue when or as a performance obligation is satisfied.

The timing of recognizing revenue for typical net product sales to our customers did not significantly change. However, transaction prices are no longer required to be fixed or determinable and certain variable consideration might be recognized prior to the occurrence or resolution of the contingent event. As a result, certain revenue previously deferred under the prior standard because the transaction price was not fixed or determinable is now accounted for as variable consideration and might be recognized earlier provided such terms are sufficient to reliably estimate the ultimate price expected to be realized.

Estimated future royalties and contingent fees related to certain alliance arrangements are now recognized prior to the third party sale or event occurring to the extent it is probable that a significant reversal in the amount of estimated cumulative revenue will not occur. The new guidance pertaining to the separation of licensing rights and related fee recognition did not significantly change the timing of recognizing revenue in our existing alliance arrangements that are currently generating revenue. The timing of royalties, sales-based milestones and other forms of contingent consideration resulting from the divestiture of businesses as well as royalties and sales-based milestones from

licensing arrangements did not change.