

MYRIAD GENETICS INC
Form 10-Q
November 05, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2014

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: 0-26642

MYRIAD GENETICS, INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	87-0494517 (I.R.S. Employer Identification No.)
320 Wakara Way, Salt Lake City, UT (Address of principal executive offices)	84108 (Zip Code)
Registrant's telephone number, including area code: (801) 584-3600	

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 30, 2014 the registrant had 72,985,326 shares of \$0.01 par value common stock outstanding.

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MYRIAD GENETICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>(In thousands, except per share amounts)</i>	September 30, 2014	June 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 69,803	\$ 64,821
Restricted cash	22,674	
Marketable investment securities	89,807	121,641
Prepaid expenses	9,419	6,921
Inventory	24,775	23,919
Trade accounts receivable, less allowance for doubtful accounts of \$8,382 at September 30, 2014 and \$8,968 at June 30, 2014	75,717	81,297
Deferred taxes	13,229	6,445
Prepaid taxes	18,698	13,609
Other receivables	11,244	3,770
Total current assets	335,366	322,423
Equipment and leasehold improvements:		
Equipment	89,748	80,685
Leasehold improvements	18,840	18,922
	108,588	99,607
Less accumulated depreciation	65,164	65,013
Net equipment and leasehold improvements	43,424	34,594
Long-term marketable investment securities	54,073	84,124
Long-term deferred taxes		3,180
Other assets	5,000	5,000
Intangibles, net	201,962	205,312
Goodwill	169,181	169,181
Total assets	\$ 809,006	\$ 823,814
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 25,728	\$ 23,078
Accrued liabilities	40,654	56,410
Deferred revenue	1,343	1,090
Total current liabilities	67,725	80,578
Long-term deferred taxes	4,617	
Unrecognized tax benefits	24,514	24,238
Total liabilities	96,856	104,816
Stockholders equity:		
Preferred stock, \$0.01 par value, authorized 5,000 shares, issued and outstanding no shares	729	735

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Common stock, \$0.01 par value, authorized 150,000 shares at September 30, 2014 and June 30, 2014, issued and outstanding 72,985 at September 30, 2014 and 73,497 at June 30, 2014

Additional paid-in capital	731,238	717,774
Accumulated other comprehensive loss	(2,368)	(1,515)
Accumulated (deficit)/retained earnings	(17,449)	2,004
Total stockholders' equity	712,150	718,998
Total liabilities and stockholders' equity	\$ 809,006	\$ 823,814

See accompanying notes to condensed consolidated financial statements (unaudited).

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MYRIAD GENETICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

<i>(In thousands, except per share amounts)</i>	Three Months Ended September 30,	
	2014	2013
Molecular diagnostic testing	\$ 164,507	\$ 192,987
Pharmaceutical and clinical services	4,330	9,480
Total revenue	168,837	202,467
Costs and expenses:		
Cost of molecular diagnostic testing	32,797	21,439
Cost of pharmaceutical and clinical services	2,068	4,042
Research and development expense	22,612	16,803
Selling, general, and administrative expense	85,440	77,279
Total costs and expenses	142,917	119,563
Operating income	25,920	82,904
Other income (expense):		
Interest income	55	1,362
Other	(98)	(439)
Total other income (expense)	(43)	923
Income before income taxes	25,877	83,827
Income tax provision	9,895	28,362
Net income	\$ 15,982	\$ 55,465
Earnings per share:		
Basic	\$ 0.22	\$ 0.70
Diluted	\$ 0.21	\$ 0.68
Weighted average shares outstanding		
Basic	72,763	79,575
Diluted	76,086	81,798
Comprehensive income:		
Net income	\$ 15,982	\$ 55,465
Unrealized gain (loss) on available-for-sale securities, net of tax	(132)	285
Change in foreign currency translation adjustment, net of tax	(721)	504
Comprehensive income	\$ 15,129	\$ 56,254

See accompanying notes to condensed consolidated financial statements (unaudited).

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MYRIAD GENETICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(In thousands)</i>	Three Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 15,982	\$ 55,465
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,954	2,372
Loss on disposition of assets	69	40
Share-based compensation expense	6,880	6,935
Bad debt expense	7,101	11,494
Accreted interest on note receivable		(666)
Unrecognized tax benefits	276	1,638
Excess tax benefit from share-based compensation	(1,676)	(14)
Deferred income taxes	2,689	(588)
Changes in operating assets and liabilities:		
Prepaid expenses	(2,498)	1,106
Trade accounts receivable	(1,521)	(3,379)
Other receivables	(7,474)	1,558
Prepaid taxes	(5,089)	
Inventory	(856)	
Accounts payable	2,650	613
Accrued liabilities	(15,759)	15,056
Deferred revenue	253	(1,148)
Net cash provided by operating activities	6,981	90,482
Cash flows from investing activities:		
Capital expenditures for equipment and leasehold improvements	(11,502)	(5,265)
Restricted cash	(22,674)	
Purchases of marketable investment securities	(5,869)	(60,142)
Proceeds from maturities and sales of marketable investment securities	67,621	56,846
Net cash provided by (used in) investing activities	27,576	(8,561)
Cash flows from financing activities:		
Net proceeds from common stock issued under share-based compensation plans	15,099	791
Excess tax benefit from share-based compensation	1,676	14
Repurchase and retirement of common stock	(45,629)	(102,316)
Net cash used in financing activities	(28,854)	(101,511)
Effect of foreign exchange rates on cash and cash equivalents	(721)	504
Net increase (decrease) in cash and cash equivalents	4,982	