

LANNETT CO INC  
Form 10-Q  
November 04, 2016  
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016**

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

**FOR THE TRANSITION PERIOD FROM                      TO**

**Commission File No. 001-31298**

### **LANNETT COMPANY, INC.**

(Exact Name of Registrant as Specified in its Charter)

**State of Delaware**  
(State of Incorporation)

**23-0787699**  
(I.R.S. Employer I.D. No.)

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9000 State Road

Philadelphia, PA 19136

(215) 333-9000

(Address of principal executive offices and telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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-12 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each class of the registrant's common stock, as of the latest practical date.

Class
Common stock, par value \$0.001 per share

Outstanding as of October 31, 2016
37,001,737

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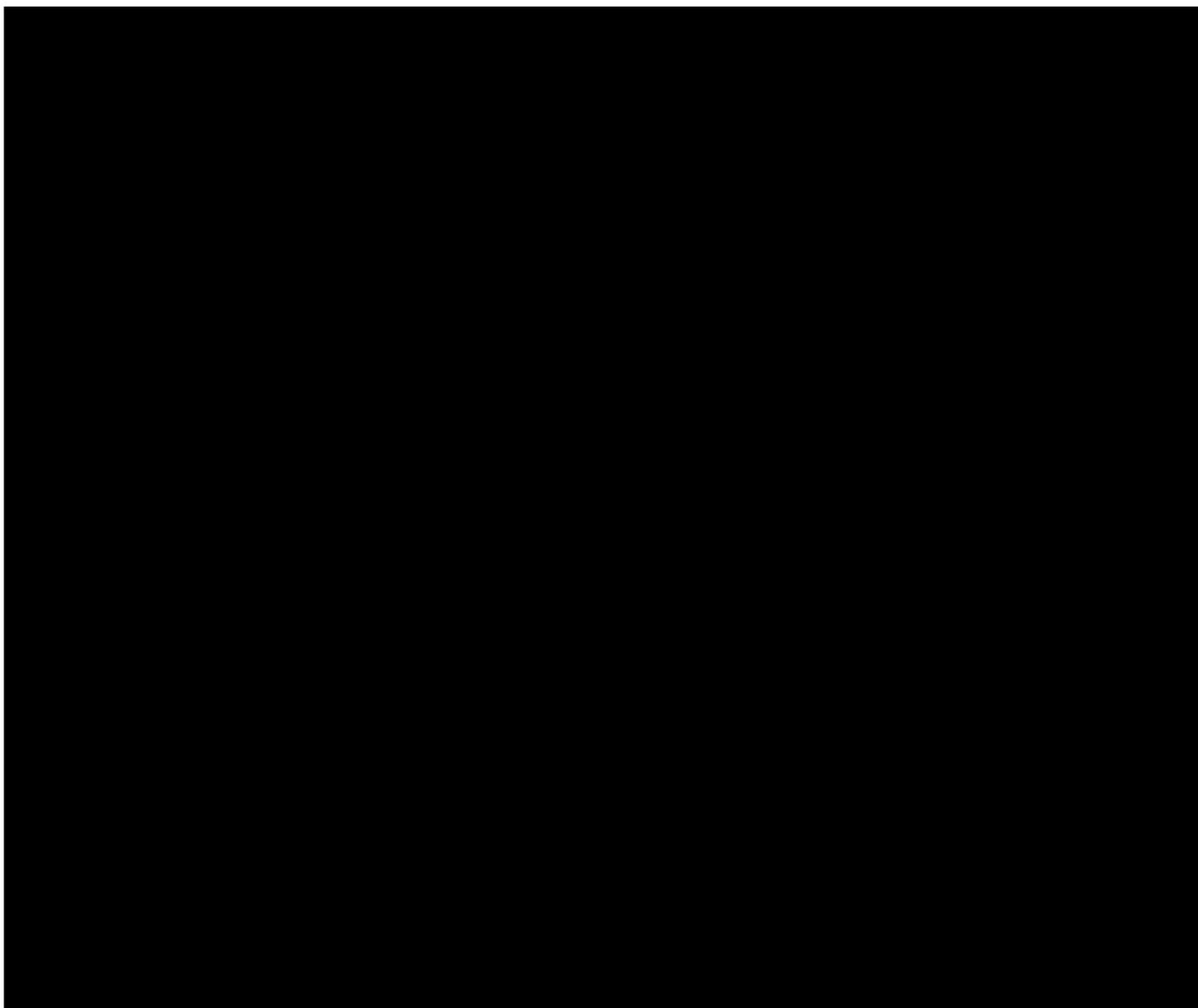
**PART I. FINANCIAL INFORMATION**

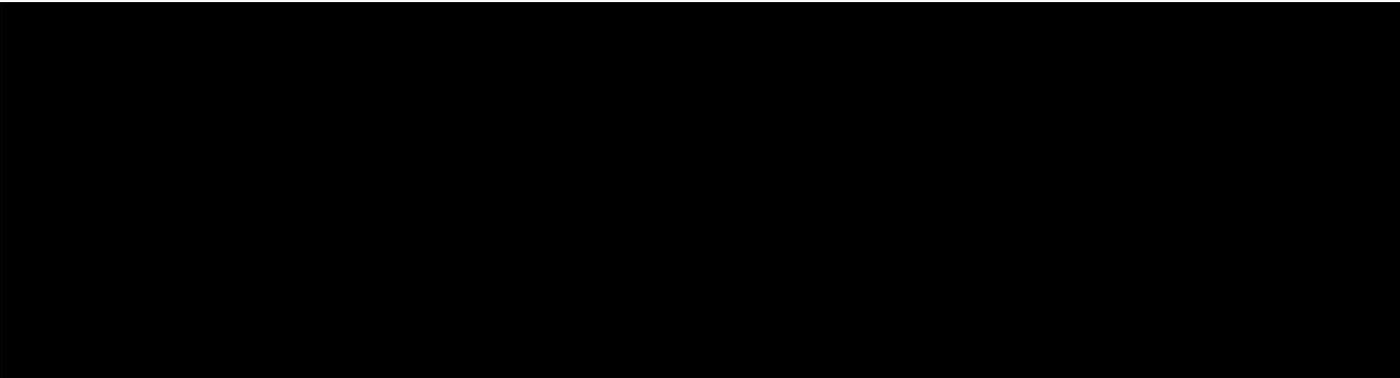
**ITEM 1. FINANCIAL STATEMENTS**

**LANNETT COMPANY, INC.**

**CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data)





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

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## LANNETT COMPANY, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except share and per share data)

	Three Months Ended September 30,		
	2016		2015
<b>Net sales</b>	\$	<b>161,559</b>	\$ 106,433
<b>Cost of sales</b>		<b>70,820</b>	28,819
<b>Amortization of intangibles</b>		<b>8,887</b>	187
<b>Gross profit</b>		<b>81,852</b>	77,427
<b>Operating expenses:</b>			
Research and development expenses		12,371	6,528
Selling, general and administrative expenses		21,260	15,536
Acquisition and integration-related expenses		1,391	3,942
Restructuring expenses		2,052	
Intangible asset impairment charge		65,084	
Total operating expenses		<b>102,158</b>	26,006
<b>Operating income (loss)</b>		<b>(20,306)</b>	51,421
<b>Other income (loss):</b>			
Investment income (loss)		1,027	(1,110)
Interest expense		(22,994)	(60)
Other		3	
Total other income (loss)		<b>(21,964)</b>	(1,170)
<b>Income (loss) before income tax</b>		<b>(42,270)</b>	50,251
<b>Income tax expense (benefit)</b>		<b>(12,882)</b>	17,055
<b>Net income (loss)</b>		<b>(29,388)</b>	33,196
Less: Net income attributable to noncontrolling interest		20	15
<b>Net income (loss) attributable to Lannett Company, Inc.</b>	\$	<b>(29,408)</b>	\$ 33,181
<b>Earnings (loss) per common share attributable to Lannett Company, Inc.:</b>			
Basic	\$	<b>(0.80)</b>	\$ 0.91
Diluted	\$	<b>(0.80)</b>	\$ 0.89
<b>Weighted average common shares outstanding:</b>			
Basic		<b>36,699,267</b>	36,310,653
Diluted		<b>36,699,267</b>	37,414,724

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

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## LANNETT COMPANY, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

(In thousands)

	Three Months Ended September 30,	
	2016	2015
<b>Net income (loss)</b>	\$ (29,388)	\$ 33,196
<b>Other comprehensive income (loss), before tax:</b>		
Foreign currency translation gain (loss)	(3)	(16)
Total other comprehensive income (loss), before tax	(3)	(16)
Income tax related to items of other comprehensive income		
Total other comprehensive income (loss), net of tax	(3)	(16)
<b>Comprehensive income (loss)</b>	<b>(29,391)</b>	<b>33,180</b>
Less: Total comprehensive income attributable to noncontrolling interest	20	15
<b>Comprehensive income (loss) attributable to Lannett Company, Inc.</b>	<b>\$ (29,411)</b>	<b>\$ 33,165</b>

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

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**LANNETT COMPANY, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**(UNAUDITED)**

(In thousands)

