

BOSTON SCIENTIFIC CORP
Form 10-Q
August 07, 2013
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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 EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2013

OR

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

Commission File No. 1-11083

BOSTON SCIENTIFIC CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

04-2695240

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

ONE BOSTON SCIENTIFIC PLACE, NATICK, MASSACHUSETTS 01760-1537

(Address of principal executive offices) (zip code)

(508) 650-8000

(Registrant's telephone number, including area code)

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 website, 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.

Large accelerated filer Accelerated filer Non-Accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares outstanding as of July 31, 2013
Common Stock, \$.01 par value	1,342,873,847

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FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

in millions, except per share data	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Net sales	\$1,809	\$1,828	\$3,570	\$3,694
Cost of products sold	530	578	1,108	1,209
Gross profit	1,279	1,250	2,462	2,485
Operating expenses:				
Selling, general and administrative expenses	661	648	1,292	1,306
Research and development expenses	223	213	427	428
Royalty expense	47	48	87	96
Amortization expense	101	99	204	195
Goodwill impairment charges	—	3,602	423	3,602
Intangible asset impairment charges	53	129	53	129
Contingent consideration (benefit) expense	(18	) 1	(41	) 11
Restructuring charges	26	28	36	39
Litigation-related charges	—	69	130	69
Gain on divestiture	(34	) —	(40) —
	1,059	4,837	2,571	5,875
Operating income (loss)	220	(3,587	) (109	) (3,390
Other income (expense):				
Interest expense	(65	) (64	) (130	) (132
Other, net	(3	) 33	(3	) 27
Income (loss) before income taxes	152	(3,618	) (242	) (3,495
Income tax expense (benefit)	22	(40	) (18	) (30
Net income (loss)	\$130	\$(3,578	) \$(224	) \$(3,465
Net income (loss) per common share — basic	\$0.10	\$(2.51	) \$(0.17	) \$(2.42
Net income (loss) per common share — assuming dilution	\$0.10	\$(2.51	) \$(0.17	) \$(2.42
Weighted-average shares outstanding				
Basic	1,343.5	1,423.2	1,347.7	1,434.2
Assuming dilution	1,358.6	1,423.2	1,347.7	1,434.2

See notes to the unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income (loss)	\$130	\$(3,578)	\$(224)	\$(3,465)
Other comprehensive income:				
Foreign currency translation adjustment	(6)	(19)	(3)	7
Net change in unrealized gains and losses on derivative financial instruments, net of tax	43	11	118	44
Total other comprehensive income (loss)	37	(8)	115	51
Total comprehensive income (loss)	\$167	\$(3,586)	\$(109)	\$(3,414)

See notes to the unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

in millions, except share and per share data	As of June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 530	\$ 207
Trade accounts receivable, net	1,278	1,217
Inventories	842	884
Deferred income taxes	496	433
Prepaid expenses and other current assets	352	281
Total current assets	3,498	3,022
Property, plant and equipment, net	1,524	1,564
Goodwill	5,553	5,973
Other intangible assets, net	6,026	6,289
Other long-term assets	395	306
	\$ 16,996	\$ 17,154
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current debt obligations	\$ 605	\$ 4
Accounts payable	251	232
Accrued expenses	1,365	1,284
Other current liabilities	256	252
Total current liabilities	2,477	1,772
Long-term debt	3,647	4,252
Deferred income taxes	1,711	1,713
Other long-term liabilities	2,558	2,547
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$.01 par value - authorized 50,000,000 shares, none issued and outstanding		
Common stock, \$.01 par value - authorized 2,000,000,000 shares and issued 1,551,642,655 shares as of June 30, 2013 and 1,542,347,188 shares as of December 31, 2012		15
Treasury stock, at cost - 212,293,891 shares as of June 30, 2013 and 186,635,532 shares as of December 31, 2012	(1,292)	(1,092)
Additional paid-in capital	16,470	16,429
Accumulated deficit	(8,673)	(8,449)
Accumulated other comprehensive income (loss), net of tax	82	(33)
Total stockholders' equity	6,603	6,870
	\$ 16,996	\$ 17,154

See notes to the unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

in millions	Six Months Ended	
	June 30, 2013	2012
Cash provided by operating activities	\$559	\$619
Investing activities:		
Purchases of property, plant and equipment	(104	) (118
Proceeds from sale of property, plant and equipment	53	—
Purchases of privately held securities	(8) —
Purchase of notes receivable	(3) —
Payments for acquisitions of businesses, net of cash acquired	—	(134
Payments for investments in companies and acquisitions of certain technologies	(7	) (1
Proceeds from business divestitures, net of costs	30	—
Cash used for investing activities	(39	) (253
Financing activities:		
Payments on long-term borrowings	—	(9
Payment of contingent consideration	(15	) (4
Proceeds from borrowings on credit facilities	240	251
Payments on borrowings from credit facilities	(240	) (260
Payments for acquisitions of treasury stock	(200	) (250
Proceeds from issuances of shares of common stock	19	9
Cash used for financing activities	(196	) (263
Effect of foreign exchange rates on cash	(1	) 1
Net increase in cash and cash equivalents	323	104
Cash and cash equivalents at beginning of period	207	267
Cash and cash equivalents at end of period	\$530	\$371
Supplemental Information		
Non-cash operating activities:		
Stock-based compensation expense	\$50	\$57

See notes to the unaudited condensed consolidated financial statements.

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