

RESMED INC
Form 10-Q
October 28, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2016

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: 001-15317

ResMed Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

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98-0152841

(I.R.S. Employer Identification No.)

9001 Spectrum Center Blvd.

San Diego, CA 92123

United States of America

(Address of principal executive offices)

(858) 836-5000

(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 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-2 of the Exchange Act). Yes No

At October 20, 2016, there were 140,965,500 shares of Common Stock (\$0.004 par value) outstanding. This number excludes 41,086,234 shares held by the registrant as treasury shares.

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RESMED INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1

Item 1. Financial Statements**RESMED INC. AND SUBSIDIARIES**

Condensed Consolidated Balance Sheets (Unaudited)

(In US\$ thousands, except share and per share data)

	September 30, 2016	June 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 781,658	\$ 731,434
Accounts receivable, net of allowance for doubtful accounts of \$11,293 and \$12,555 at September 30, 2016 and June 30, 2016, respectively	347,137	382,086
Inventories (note 3)	253,828	224,456
Prepaid expenses and other current assets	92,229	81,743
Total current assets	1,474,852	1,419,719
Non-current assets:		
Property, plant and equipment, net (note 4)	390,797	384,276
Goodwill (note 6)	1,062,758	1,059,245
Other intangible assets, net (note 7)	289,673	299,808
Deferred income taxes	62,926	55,496
Other assets	41,258	38,161
Total non-current assets	1,847,412	1,836,986
Total assets	\$ 3,322,264	\$ 3,256,705
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 80,489	\$ 92,571
Accrued expenses	153,969	156,805
Deferred revenue	47,665	50,009
Income taxes payable	38,807	39,166
Short-term debt (note 9)	299,625	299,438
Total current liabilities	620,555	637,989
Non-current liabilities:		
Deferred revenue	45,736	40,281
Deferred income taxes	8,920	9,061
Other long-term liabilities	974	1,211
Long-term debt (note 9)	873,511	873,332
Total non-current liabilities	929,141	923,885
Total liabilities	1,549,696	1,561,874

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Commitments and contingencies (note 13)		
Stockholders' equity: (note 11)		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued	-	-
Common stock, \$0.004 par value, 350,000,000 shares authorized; 181,974,343 issued and 140,888,109 outstanding at September 30, 2016 and 181,747,157 issued and 140,660,923 outstanding at June 30, 2016	564	563
Additional paid-in capital	1,321,522	1,303,238
Retained earnings	2,190,028	2,160,299
Treasury stock, at cost, 41,086,234 shares at September 30, 2016, and June 30, 2016	(1,546,611)	(1,546,611)
Accumulated other comprehensive loss	(192,935)	(222,658)
Total stockholders' equity	1,772,568	1,694,831
Total liabilities and stockholders' equity	\$ 3,322,264	\$ 3,256,705

See the accompanying notes to the unaudited condensed consolidated financial statements.

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PART I FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Unaudited)

(In US\$ thousands, except per share data)

	Three Months Ended September 30,	
	2016	2015
Net revenue	\$ 465,450	\$ 411,647
Cost of sales (excluding amortization of acquired intangible assets)	196,266	173,028
Gross profit	269,184	238,619
Operating expenses:		
Selling, general and administrative	128,851	111,095
Research and development	34,446	27,192
Amortization of acquired intangible assets	11,741	2,307
Total operating expenses	175,038	140,594
Income from operations	94,146	98,025
Other (loss) income, net:		
Interest (expense) income, net	(2,493)	3,422
Other, net	1,272	(2,003)
Total other (loss) income, net	(1,221)	1,419
Income before income taxes	92,925	99,444
Income taxes	16,818	16,527
Net income	\$ 76,107	\$ 82,917
Basic earnings per share	\$ 0.54	\$ 0.59
Diluted earnings per share (note 2)	\$ 0.54	\$ 0.58
Dividend declared per share	\$ 0.33	\$ 0.30
Basic shares outstanding (000 s)	140,785	140,309
Diluted shares outstanding (000 s)	142,090	142,280

See the accompanying notes to the unaudited condensed consolidated financial statements.

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PART I FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In US\$ thousands)

	Three Months Ended September 30,	
	2016	2015
Net income	\$ 76,107	\$ 82,917
Other comprehensive income (loss):		
Foreign currency translation gain (loss) adjustments	29,723	(122,108)
Comprehensive income (loss)	\$ 105,830	\$ (39,191)

See the accompanying notes to the unaudited condensed consolidated financial statements.

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PART I FINANCIAL INFORMATION

Item 1

RESMED INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In US\$ thousands)

	Three Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 76,107	\$ 82,917
Depreciation and amortization	27,775	18,403
Stock-based compensation costs	12,049	12,383
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	36,207	30,498
Inventories	(28,073)	(17,194)
Prepaid expenses, net deferred income taxes and other current assets	(19,115)	(3,526)
Accounts payable, accrued expenses and other liabilities	(18,707)	1,127
Net cash provided by operating activities	86,243	124,608
Cash flows from investing activities:		
Purchases of property, plant and equipment	(14,560)	(16,403)
Patent registration costs	(2,471)	(2,423)
Business acquisitions, net of cash acquired	(3,090)	-
Investments in cost-method investments	(2,758)	(4,582)
Proceeds (Payments) on maturity of foreign currency contracts	9,710	(39,341)
Net cash used in investing activities	(13,169)	(62,749)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	6,330	4,352
Purchases of treasury stock	-	(57,857)
Proceeds from borrowings, net of borrowing costs	25,000	200,000
Repayment of borrowings	(25,000)	(8)
Dividend paid	(46,378)	(42,079)
Net cash (used in) from financing activities	(40,048)	104,408
Effect of exchange rate changes on cash	17,198	(61,463)
Net increase in cash and cash equivalents	50,224	104,804
Cash and cash equivalents at beginning of period	731,434	717,249
Cash and cash equivalents at end of period	\$ 781,658	\$ 822,053