

PERRIGO Co plc  
Form 10-Q  
May 08, 2018

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: March 31, 2018

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 001-36353

Perrigo Company plc  
(Exact name of registrant as specified in its charter)

Ireland  
(State or other jurisdiction of  
incorporation or organization) Not Applicable  
(I.R.S. Employer  
Identification No.)

Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland -  
(Address of principal executive offices) (Zip Code)

+353 1 7094000  
(Registrant's telephone number, including area code)

Not Applicable  
(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 report), 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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Smaller reporting company  Emerging growth company

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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

As of May 4, 2018, there were 138,462,112 ordinary shares outstanding.

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PERRIGO COMPANY PLC  
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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In particular, statements about our expectations, beliefs, plans, objectives, assumptions, future events or future performance contained in this report, including certain statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential” or the negative of those terms or other comparable terminology.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control, including: the timing, amount and cost of any share repurchases; future impairment charges; the success of management transition; customer acceptance of new products; competition from other industry participants, some of whom have greater marketing resources or larger market shares in certain product categories than we do; pricing pressures from customers and consumers; potential third-party claims and litigation, including litigation relating to our restatement of previously-filed financial information; potential impacts of ongoing or future government investigations and regulatory initiatives; resolution of uncertain tax positions; the impact of U.S. tax reform legislation and healthcare policy; general economic conditions; fluctuations in currency exchange rates and interest rates; the consummation of announced acquisitions or dispositions and the success of such transactions, and our ability to realize the desired benefits thereof; and our ability to execute and achieve the desired benefits of announced cost-reduction efforts and other initiatives. In addition, we may identify new, or be unable to remediate previously identified, material weaknesses in our internal control over financial reporting. Furthermore, we may incur additional tax liabilities in respect of 2016 and prior years or be found to have breached certain provisions of Irish company law in connection with our restatement of our previously filed financial statements, which may result in additional expenses and penalties. These and other important factors, including those discussed in our Form 10-K for the year ended December 31, 2017 and in this report under “Risk Factors” and in any subsequent filings with the United States Securities and Exchange Commission, may cause actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements in this report are made only as of the date hereof, and unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

## TRADEMARKS, TRADE NAMES AND SERVICE MARKS

This report contains trademarks, trade names and service marks that are the property of Perrigo Company plc, as well as, for informational purposes, trademarks, trade names, and service marks that are the property of other organizations. Solely for convenience, certain trademarks, trade names, and service marks referred to in this report appear without the ®, ™ and ℠ symbols, but those references are not intended to indicate that we or the applicable owner, as the case may be, will not assert, to the fullest extent under applicable law, our or their rights to such trademarks, trade names, and service marks.

Perrigo Company plc - Item 1

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

PERRIGO COMPANY PLC  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in millions, except per share amounts)  
 (unaudited)

	Three Months Ended	
	March 31, 2018	April 1, 2017
Net sales	\$1,217.0	\$1,194.0
Cost of sales	724.3	729.6
Gross profit	492.7	464.4
Operating expenses		
Distribution	24.7	21.1
Research and development	38.4	39.8
Selling	161.3	155.0
Administration	107.6	105.4
Impairment charges	—	12.2
Restructuring	1.5	38.7
Other operating loss (income)	2.9	(36.3 )
Total operating expenses	336.4	335.9
Operating income	156.3	128.5
Change in financial assets	9.6	(17.1 )
Interest expense, net	31.4	53.3
Other expense (income), net	4.3	(3.5 )
Loss on extinguishment of debt	0.5	—
Income before income taxes	110.5	95.8
Income tax expense	29.7	24.2
Net income	\$80.8	\$71.6
Earnings per share		
Basic	\$0.57	\$0.50
Diluted	\$0.57	\$0.50
Weighted-average shares outstanding		
Basic	140.8	143.4
Diluted	141.4	143.6
Dividends declared per share	\$0.19	\$0.16

See accompanying Notes to the Condensed Consolidated Financial Statements



Perrigo Company plc - Item 1

PERRIGO COMPANY PLC  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (in millions)  
 (unaudited)

	Three Months Ended	
	March 31,	April 1,
	2018	2017
Net income	\$80.8	\$71.6
Other comprehensive income:		
Foreign currency translation adjustments	73.0	65.4
Change in fair value of derivative financial instruments, net of tax	(0.6 )	1.6
Change in fair value of investment securities, net of tax	—	(11.4 )
Change in post-retirement and pension liability, net of tax	(0.2 )	(0.1 )
Other comprehensive income, net of tax	72.2	55.5
Comprehensive income	\$153.0	\$127.1

See accompanying Notes to the Condensed Consolidated Financial Statements



## Perrigo Company plc - Item 1

PERRIGO COMPANY PLC  
CONDENSED CONSOLIDATED BALANCE SHEETS(in millions, except per share amounts)  
(unaudited)

	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$687.3	\$ 678.7
Accounts receivable, net of allowance for doubtful accounts of \$6.5 million and \$6.2 million, respectively	1,123.4	1,130.8
Inventories	843.8	806.9
Prepaid expenses and other current assets	246.2	203.2
Total current assets	2,900.7	2,819.6
Property, plant and equipment, net	829.3	833.1
Goodwill and other indefinite-lived intangible assets	4,300.8	4,265.7
Other intangible assets, net	3,259.1	3,290.5
Non-current deferred income taxes	19.6	10.4
Other non-current assets	330.1	409.5
Total non-current assets	8,738.9	8,809.2
Total assets	\$11,639.6	\$ 11,628.8
Liabilities and Shareholders' Equity		
Accounts payable	\$512.2	\$ 450.2
Payroll and related taxes	113.0	148.8
Accrued customer programs	438.3	419.7
Accrued liabilities	205.3	230.8
Accrued income taxes	65.7	116.1
Current indebtedness	58.0	70.4
Total current liabilities	1,392.5	1,436.0
Long-term debt, less current portion	3,280.6	3,270.8
Non-current deferred income taxes	332.0	321.9
Other non-current liabilities	428.9	429.5
Total non-current liabilities	4,041.5	4,022.2
Total liabilities	5,434.0	5,458.2
Commitments and contingencies - Note 14		
Shareholders' equity		
Controlling interest:		
Preferred shares, \$0.0001 par value per share, 10 shares authorized	—	—
Ordinary shares, €0.001 par value per share, 10,000 shares authorized	7,769.5	7,892.9
Accumulated other comprehensive income	324.3	253.1
Retained earnings (accumulated deficit)	(1,888.4 )	(1,975.5 )
Total controlling interest	6,205.4	6,170.5
Noncontrolling interest	0.2	0.1
Total shareholders' equity	6,205.6	6,170.6
Total liabilities and shareholders' equity	\$11,639.6	\$ 11,628.8
Supplemental Disclosures of Balance Sheet Information		
Ordinary shares, issued and outstanding	139.7	140.8

See accompanying Notes to the Condensed Consolidated Financial Statements



Perrigo Company plc - Item 1

PERRIGO COMPANY PLC  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	Three Months Ended	
	March 31,	April 1,
	2018	2017
Cash Flows From (For) Operating Activities		
Net income	\$80.8	\$71.6
Adjustments to derive cash flows		
Depreciation and amortization	109.5	109.4
Share-based compensation	12.7	6.1
Impairment charges	—	12.2
Change in financial assets	9.6	(17.1 )
Loss on extinguishment of debt	0.5	—
Restructuring charges	1.5	38.7
Deferred income taxes	(7.2 )	(46.0 )
Amortization of debt premium	(2.1 )	(6.4 )
Other non-cash adjustments, net	12.1	(1.1 )
Subtotal	217.4	167.4
Increase (decrease) in cash due to:		
Accounts receivable	2.6	50.1
Inventories	(43.7 )	0.5
Accounts payable	57.5	2.5
Payroll and related taxes	(38.9 )	(10.1 )
Accrued customer programs	17.3	(32.7 )
Accrued liabilities	(24.0 )	2.3
Accrued income taxes	6.4	41.4
Other, net	(22.2 )	(26.9 )
Subtotal	(45.0 )	27.1
Net cash from operating activities	172.4	194.5
Cash Flows From (For) Investing Activities		
Proceeds from royalty rights	10.0	85.3
Additions to property, plant and equipment	(13.4 )	(22.0 )
Net proceeds from sale of business and other assets	1.3	25.3
Proceeds from sale of the Tysabri® financial asset	—	2,200.0
Other investing, net	—	(0.8 )
Net cash from (for) investing activities	(2.1 )	2,287.8
Cash Flows From (For) Financing Activities		
Issuances of long-term debt	431.0	—
Payments on long-term debt	(444.5 )	(13.6 )
Borrowings (repayments) of revolving credit agreements and other financing, net	(6.2 )	0.3
Deferred financing fees	(2.4 )	(0.4 )
Repurchase of ordinary shares	(108.1 )	—
Cash dividends	(26.7 )	(23.0 )
Other financing, net	(5.7 )	(0.5 )
Net cash (for) financing activities	(162.6 )	(37.2 )
Effect of exchange rate changes on cash and cash equivalents	0.9	10.4

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Net increase (decrease) in cash and cash equivalents	8.6	2,455.5
Cash and cash equivalents, beginning of period	678.7	622.3
Cash and cash equivalents, end of period	\$687.3	\$