

IDEXX LABORATORIES INC /DE  
Form 10-Q  
July 22, 2011

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 June 30, 2011

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: 0-19271

IDEXX LABORATORIES, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of incorporation  
or organization)

01-0393723  
(IRS Employer Identification No.)

ONE IDEXX DRIVE, WESTBROOK, MAINE  
(Address of principal executive offices)

04092  
(ZIP Code)

207-556-0300  
(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.

Large accelerated filer  Accelerated filer

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

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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. The number of shares outstanding of the registrant's Common Stock, \$0.10 par value, was 56,844,037 on July 15, 2011.

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 Quarterly Report on Form 10-Q  
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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

## IDEXX LABORATORIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

(Unaudited)

	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 159,398	\$ 156,915
Accounts receivable, net of reserves of \$3,187 in 2011 and \$2,828 in 2010	149,314	120,080
Inventories, net	133,934	127,885
Deferred income tax assets	26,891	26,203
Other current assets	24,034	29,508
Total current assets	493,571	460,591
Long-Term Assets:		
Property and equipment, net	210,163	201,725
Goodwill	154,191	149,112
Intangible assets, net	53,044	55,752
Other long-term assets, net	39,606	29,964
Total long-term assets	457,004	436,553
<b>TOTAL ASSETS</b>	<b>\$950,575</b>	<b>\$ 897,144</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$29,888	\$ 22,669
Accrued liabilities	121,898	118,598
Line of credit	132,548	128,999
Current portion of long-term debt	890	863
Current portion of deferred revenue	12,913	13,983
Total current liabilities	298,137	285,112
Long-Term Liabilities:		
Deferred income tax liabilities	21,152	18,661
Long-term debt, net of current portion	2,966	3,418
Long-term deferred revenue, net of current portion	6,555	4,627
Other long-term liabilities	12,954	11,045
Total long-term liabilities	43,627	37,751
Total liabilities	341,764	322,863
<b>Commitments and Contingencies (Note 13)</b>		
<b>Stockholders' Equity:</b>		
Common stock, \$0.10 par value: Authorized: 120,000 shares; Issued: 98,835 and 97,968 shares in 2011 and 2010, respectively	9,884	9,797

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Additional paid-in capital	680,093	641,645
Deferred stock units: Outstanding: 119 and 118 units in 2011 and 2010, respectively	4,622	4,433
Retained earnings	1,050,809	965,540
Accumulated other comprehensive income	26,468	13,467
Treasury stock, at cost: 42,004 and 40,657 shares in 2011 and 2010, respectively	(1,163,102)	(1,060,647 )
Total IDEXX Laboratories, Inc. stockholders' equity	608,774	574,235
Noncontrolling interest	37	46
Total stockholders' equity	608,811	574,281
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$950,575</b>	<b>\$ 897,144</b>

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

IDEXX LABORATORIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share amounts)  
 (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
<b>Revenue:</b>				
Product revenue	\$ 203,502	\$ 179,813	\$ 391,887	\$ 356,574
Service revenue	114,360	101,669	218,647	193,433
Total revenue	317,862	281,482	610,534	550,007
<b>Cost of Revenue:</b>				
Cost of product revenue	77,457	72,063	151,162	140,697
Cost of service revenue	66,372	60,135	130,414	117,665
Total cost of revenue	143,829	132,198	281,576	258,362
Gross profit	174,033	149,284	328,958	291,645
<b>Expenses:</b>				
Sales and marketing	50,974	44,167	101,959	88,583
General and administrative	33,140	33,076	65,736	65,884
Research and development	18,621	17,206	36,433	33,915
Income from operations	71,298	54,835	124,830	103,263
Interest expense	(782 )	(689 )	(1,510 )	(1,054 )
Interest income	419	138	788	191
Income before provision for income taxes	70,935	54,284	124,108	102,400
Provision for income taxes	22,281	17,087	38,848	32,175
Net income	48,654	37,197	85,260	70,225
Less: Net (loss) income attributable to noncontrolling interest	(3 )	4	(9 )	6
Net income attributable to IDEXX Laboratories, Inc. stockholders	\$ 48,657	\$ 37,193	\$ 85,269	\$ 70,219
<b>Earnings per Share:</b>				
Basic	\$ 0.85	\$ 0.64	\$ 1.49	\$ 1.21
Diluted	\$ 0.83	\$ 0.62	\$ 1.45	\$ 1.17
<b>Weighted Average Shares Outstanding:</b>				
Basic	57,276	57,747	57,366	57,890
Diluted	58,727	59,646	58,934	59,875

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

IDEXX LABORATORIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (in thousands)  
 (Unaudited)

	For the Six Months Ended June 30,	
	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Net income	\$85,260	\$70,225
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,343	22,632
Loss on disposal of property and equipment	326	1,442
Increase (decrease) in deferred compensation liability	71	(71 )
Provision for uncollectible accounts	683	596
Provision for (benefit of) deferred income taxes	2,392	(112 )
Share-based compensation expense	7,501	6,602
Tax benefit from exercises of stock options and vesting of restricted stock units	(10,854 )	(9,372 )
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(24,213 )	(16,544 )
Inventories	(5,692 )	(12,977 )
Other assets	7,293	(1,634 )
Accounts payable	7,002	4,308
Accrued liabilities	(5,171 )	7,432
Deferred revenue	369	2,558
Net cash provided by operating activities	88,310	75,085
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(26,173 )	(17,437 )
Proceeds from disposition of pharmaceutical product lines	3,000	-
Proceeds from sale of property and equipment	218	64
Acquisitions of intangible assets	-	(144 )
Net cash used by investing activities	(22,955 )	(17,517 )
<b>Cash Flows from Financing Activities:</b>		
Borrowings on revolving credit facilities, net	3,486	15,099
Payment of notes payable	(425 )	(400 )
Repurchases of common stock	(98,419 )	(83,724 )
Proceeds from exercises of stock options and employee stock purchase plans	19,367	16,446
Tax benefit from exercises of stock options and vesting of restricted stock units	10,854	9,372
Net cash used by financing activities	(65,137 )	(43,207 )
Net effect of changes in exchange rates on cash	2,265	(3,114 )
Net increase in cash and cash equivalents	2,483	11,247
Cash and cash equivalents at beginning of period	156,915	106,728
Cash and cash equivalents at end of period	\$159,398	\$117,975

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