

ORTHOFIX INTERNATIONAL N V
Form 10-Q
August 04, 2015

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 June 30, 2015

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: 0-19961

ORTHOFIX INTERNATIONAL N.V.

(Exact name of registrant as specified in its charter)

Curaçao
(State or other jurisdiction of
incorporation or organization)

Not applicable
(I.R.S. Employer
Identification No.)

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7 Abraham de Veerstraat

Curaçao Not applicable
(Address of principal executive offices) (Zip Code)

599-9-4658525

(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 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 smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "non-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

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 July 31, 2015, 18,850,550 shares of common stock were issued and outstanding.

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Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, relating to our business and financial outlook, which are based on our current beliefs, assumptions, expectations, estimates, forecasts and projections. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “intends,” “predicts,” “potential” or “continue” or other comparable terminology. These forward-looking statements are not guarantees of our future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict. Therefore, our actual outcomes and results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date hereof, unless it is specifically otherwise stated to be made as of a different date. We undertake no obligation to further update any such statement, or the risk factors described in Item 1A under the heading Risk Factors, to reflect new information, or the occurrence of future events or circumstances.

The forward-looking statements in this filing do not constitute guarantees or promises of future performance. Factors that could cause or contribute to such differences may include, but are not limited to, risks relating to: an investigation by the Division of Enforcement of the Securities and Exchange Commission (the “SEC”) and related securities class action litigation arising out of our prior accounting review and restatements of financial statements; our review of allegations of improper payments involving our Brazil-based subsidiary; the geographic concentration of certain of our sales and accounts receivable in countries or territories that are facing severe fiscal challenges; the expected sales of our products, including recently launched products; unanticipated expenditures; changing relationships with customers, suppliers, strategic partners and lenders; changes to and the interpretation of governmental regulations; the resolution of pending litigation matters (including our indemnification obligations with respect to certain product liability claims against our former sports medicine global business unit); our ongoing compliance obligations under a corporate integrity agreement with the Office of Inspector General of the Department of Health and Human Services (and related terms of probation) and a deferred prosecution agreement with the U.S. Department of Justice; risks relating to the protection of intellectual property; changes to the reimbursement policies of third parties; the impact of competitive products; changes to the competitive environment; the acceptance of new products in the market; conditions of the orthopedic and spine industries; credit markets and the global economy (including the expiration of our current secured revolving credit facility in August 2015); corporate development and market development activities, including acquisitions or divestitures; unexpected costs or operating unit performance related to recent acquisitions; and other risks described in Part I, Item 1A under the heading Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as well as in other current and periodic reports that we file with the SEC in the future.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ORTHOFIX INTERNATIONAL N.V.

Condensed Consolidated Balance Sheets

(U.S. Dollars, in thousands, except share data)	June 30, 2015	December 31, 2014
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 55,946	\$ 36,815
Restricted cash	—	34,424
Trade accounts receivable, less allowance for doubtful accounts of \$7,153 and \$7,285 at June 30, 2015 and December 31, 2014, respectively	58,356	61,358
Inventories	59,219	59,846
Deferred income taxes	36,970	37,413
Prepaid expenses and other current assets	24,723	26,552
Total current assets	235,214	256,408
Property, plant and equipment, net	49,963	48,549
Patents and other intangible assets, net	5,626	7,152
Goodwill	53,565	53,565
Deferred income taxes	17,910	18,541
Other long-term assets	26,876	8,970
Total assets	\$ 389,154	\$ 393,185
Liabilities and shareholders' equity		
Current liabilities:		
Trade accounts payable	\$ 17,230	\$ 13,223
Other current liabilities	47,678	53,220
Total current liabilities	64,908	66,443
Deferred income taxes	—	229
Other long-term liabilities	26,569	26,886
Total liabilities	91,477	93,558
Contingencies (Note 12)		
Shareholders' equity:		
Common shares \$0.10 par value; 50,000,000 shares authorized; 18,839,335 and 18,611,495 issued and outstanding as of June 30, 2015 and December 31, 2014, respectively		
	1,884	1,861
Additional paid-in capital	237,987	232,788
Retained earnings	60,553	65,360

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Accumulated other comprehensive loss	(2,747)	(382)
Total shareholders' equity	297,677	299,627
Total liabilities and shareholders' equity	\$ 389,154	\$ 393,185

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

ORTHOFIX INTERNATIONAL N.V.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited, U.S. Dollars, in thousands, except share and per share data)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Product sales	\$86,868	\$88,579	\$163,700	\$176,879
Marketing service fees	14,086	12,406	27,016	24,120
Net sales	100,954	100,985	190,716	200,999
Cost of sales	21,910	25,414	41,249	52,187
Gross profit	79,044	75,571	149,467	148,812
Operating expenses				
Sales and marketing	42,946	42,013	87,231	83,184
General and administrative	22,506	18,214	44,075	36,074
Research and development				