

BIOGEN IDEC INC.
Form 10-Q
October 23, 2007

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**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 September 30, 2007
- OR**
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 0-19311

BIOGEN IDEC INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

33-0112644

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

**14 Cambridge Center, Cambridge, MA 02142
(617) 679-2000**

*(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)*

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒

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

The number of shares of the registrant's Common Stock, \$0.0005 par value, outstanding as of October 15, 2007, was 293,369,248 shares.

BIOGEN IDEC INC.

**FORM 10-Q Quarterly Report
For the Quarterly Period Ended September 30, 2007**

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Table of Contents**PART I FINANCIAL INFORMATION****BIOGEN IDEC INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(In thousands, except per share amounts)			
	(Unaudited)			
Revenues:				
Product	\$ 529,581	\$ 475,096	\$ 1,532,594	\$ 1,317,696
Unconsolidated joint business	234,637	203,820	672,391	593,296
Other	25,013	24,576	73,332	63,716
Total revenues	789,231	703,492	2,278,317	1,974,708
Costs and expenses:				
Cost of sales, excluding amortization of acquired intangible assets	81,613	66,792	247,626	212,280
Research and development	286,274	211,033	695,872	518,910
Selling, general and administrative	190,644	173,442	582,373	498,122
Collaboration profit (loss) sharing	5,842	(5,289)	170	(5,289)
Amortization of acquired intangible assets	65,689	60,011	186,570	206,978
Acquired in-process research and development	29,959		48,364	330,520
Facility impairments and loss (gain) on sale		175		(923)
Gain on settlement of license agreement				(34,192)
Total costs and expenses	660,021	506,164	1,760,975	1,726,406
Income from operations	129,210	197,328	517,342	248,302
Other income (expense), net	44,904	22,319	98,192	62,790
Income before income tax provision and cumulative effect of accounting change	174,114	219,647	615,534	311,092
Income tax expense	54,733	63,048	178,512	205,916
Income before cumulative effect of accounting change	119,381	156,599	437,022	105,176
Cumulative effect of accounting change, net of income tax				3,779
Net income	\$ 119,381	\$ 156,599	\$ 437,022	\$ 108,955

Basic earnings per share:

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Income before cumulative effect of accounting change	\$	0.41	\$	0.46	\$	1.35	\$	0.31
Cumulative effect of accounting change, net of income tax								0.01
Basic earnings per share	\$	0.41	\$	0.46	\$	1.35	\$	0.32
Diluted earnings per share:								
Income before cumulative effect of accounting change	\$	0.41	\$	0.45	\$	1.34	\$	0.30
Cumulative effect of accounting change, net of income tax								0.01
Diluted earnings per share	\$	0.41	\$	0.45	\$	1.34	\$	0.31
Weighted-average shares used in calculating:								
Basic earnings per share		288,958		338,021		323,006		339,527
Diluted earnings per share		293,396		344,754		326,743		345,999

See accompanying notes to the consolidated financial statements.

Table of Contents**BIOGEN IDEC INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	September 30, 2007	December 31, 2006
	(In thousands, except per share amounts) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 437,326	\$ 661,377
Marketable securities	234,021	241,314
Accounts receivable, net	378,807	317,353
Due from unconsolidated joint business	161,272	168,708
Inventory	222,857	169,102
Other current assets	186,187	154,713
Total current assets	1,620,470	1,712,567
Marketable securities	921,994	1,412,238
Property, plant and equipment, net	1,392,577	1,280,385
Intangible assets, net	2,562,566	2,747,241
Goodwill	1,136,858	1,154,757
Investments and other assets	181,910	245,620
Total assets	\$ 7,816,375	\$ 8,552,808

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:		
Accounts payable	\$ 92,336	\$ 100,457
Taxes payable		145,529
Accrued expenses and other	386,295	336,869
Current portion of notes payable	1,510,113	
Total current liabilities	1,988,744	582,855
Notes payable	50,113	96,694
Long-term deferred tax liability	558,743	643,645
Other long-term liabilities	226,076	79,836
Total liabilities	2,823,676	1,403,030

Commitments and contingencies (Notes 4, 10 and 12)

Shareholders' equity:

Preferred stock, par value \$0.001 per share

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Common stock, par value \$0.0005 per share	146	173
Additional paid-in capital	5,497,506	8,308,232
Accumulated other comprehensive income	48,127	21,855
Accumulated deficit	(553,080)	(860,827)
Treasury stock, at cost		(319,655)
Total shareholders' equity	4,992,699	7,149,778
Total liabilities and shareholders' equity	\$ 7,816,375	\$ 8,552,808

See accompanying notes to the consolidated financial statements.

Table of Contents**BIOGEN IDEC INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30, 2007 2006 (In thousands) (Unaudited)	
Cash flows from operating activities:		
Net income	\$ 437,022	\$ 108,955
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization of fixed & intangible assets	278,030	288,653
Acquired in process research & development and license	98,364	330,520
Minority interest of subsidiaries	(25,045)	6,092
Gain on settlement of license agreement		(34,192)
Share-based compensation	91,209	102,059
Non-cash interest (income) expense	84	623
Deferred income taxes	(40,366)	(79,777)
Realized (gain) loss on sale of marketable securities and strategic investment	(17,667)	2,420
Write-down of inventory to net realizable value	19,579	12,608
Facility impairment and (gain) loss on sale, net		(923)
Impairment of investments and other assets	6,166	5,021
Excess tax benefit from stock options	(31,400)	(12,293)
Changes in assets and liabilities, net:		
Accounts receivable	(57,723)	(18,845)
Due from unconsolidated joint business	7,436	(16,260)
Inventory	(70,866)	(22,973)
Other assets	(71,257)	3,527
Accrued expenses and other current liabilities	23,565	(77,840)
Other liabilities	27,642	2,088
Net cash flows provided by operating activities	674,773	599,463
Cash flows from investing activities:		
Purchases of marketable securities	(2,201,518)	(1,597,263)
Proceeds from sales and maturities of marketable debt securities	2,702,841	1,468,097
Proceeds from sale of Amevive		59,800
Acquisitions, net of cash acquired	(92,289)	(363,251)
Purchases of property, plant and equipment	(175,750)	(133,840)
Proceeds from sale of property, plant and equipment	16,812	35,942
Purchases of other investments	(19,522)	(5,580)
Proceeds from the sale of a strategic equity investment	99,489	
Net cash flows provided by (used in) investing activities	330,063	(536,095)
Cash flows from financing activities:		

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Purchase of common stock	(2,991,183)	(320,268)
Proceeds from issuance of stock for share based compensation arrangements	247,436	86,838
Change in cash overdrafts	(10,215)	(11,145)
Excess tax benefit from stock options	31,400	12,293
Proceeds from borrowings	1,512,296	15,304
Repayments of borrowings	(12,042)	
Repayments of long-term debt	(6,563)	
Net cash flow used in financing activities	(1,228,871)	(216,978)
Net decrease in cash and cash equivalents	(224,035)	(153,610)
Effect of exchange rate changes on cash and cash equivalents	(16)	36
Cash and cash equivalents, beginning of the period	661,377	568,168
Cash and cash equivalents, end of the period	\$ 437,326	\$ 414,594

See accompanying notes to the consolidated financial statements.

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BIOGEN IDEC INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

1. Business Overview

Overview

Biogen Idec Inc. is an international biotechnology company that creates new standards of care in oncology, neurology, immunology and other specialty areas of unmet medical need. We currently have five products: AVONEX®, RITUXAN®, TYSABRI®, FUMADERM®, and ZEVALIN®.

In August 2007, we entered into an agreement to sell the U.S. marketing, sales, manufacturing and development rights of ZEVALIN® to Cell Therapeutics, Inc., or CTI for an upfront purchase price of \$10.0 million and up to an additional \$20.0 million in milestone payments. In addition, we also will receive royalty payments on future sales of ZEVALIN. As part of the overall arrangement, we have entered into a contract with CTI to supply ZEVALIN product through 2014 and a related services and security agreement under which CTI has agreed to reimburse us for costs incurred in an ongoing randomized clinical trial for ZEVALIN with respect to aggressive non-Hodgkin's lymphoma. The \$10.0 million upfront payment will be recognized in our results of operations over the term of the supply agreement. We anticipate the sale will close in the fourth quarter of 2007.

Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting of only normal recurring accruals, necessary for a fair statement of our financial position, results of operations, and cash flows. The information included in this quarterly report on Form 10-Q should be read in conjunction with our consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2006. Our accounting policies are described in the Notes to the Consolidated Financial Statements in our 2006 Annual Report on Form 10-K and updated, as necessary, in this Form 10-Q. The year-end consolidated balance sheet data presented for comparative purposes was derived from audited financial statements. This Form 10-Q does not contain all disclosures required by accounting principles generally accepted in the U.S. The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions t