

TECHNE CORP /MN/
Form 10-Q
November 09, 2012
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

X **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012,

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 0-17272

TECHNE CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

Minnesota (State or other jurisdiction of incorporation or organization)	41-1427402 (I.R.S. Employer Identification No.)
614 McKinley Place N.E. Minneapolis, MN (Address of principal executive offices)	55413 (Zip Code)
(612) 379-8854 (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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

At November 2, 2012, 36,828,834 shares of the Company's Common Stock (par value \$0.01) were outstanding.

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Earnings and Comprehensive Income for the Quarters Ended September 30, 2012 and 2011</u>	1
<u>Condensed Consolidated Balance Sheets as of September 30, 2012 and June 30, 2012</u>	2
<u>Condensed Consolidated Statements of Cash Flows for the Quarters Ended September 30, 2012 and 2011</u>	3
<u>Notes to Condensed Consolidated Financial Statements</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	7
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	11
Item 4. <u>Controls and Procedures</u>	13
<u>PART II: OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	13
Item 1A. <u>Risk Factors</u>	13
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	13
Item 3. <u>Defaults Upon Senior Securities</u>	13
Item 4. <u>Mine Safety Disclosures</u>	13
Item 5. <u>Other Information</u>	14
Item 6. <u>Exhibits</u>	14
<u>SIGNATURES</u>	14

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS****AND COMPREHENSIVE INCOME***TECHNE Corporation and Subsidiaries**(in thousands, except per share data)**(unaudited)*

	<i>Quarter Ended September 30,</i>	
	<i>2012</i>	<i>2011</i>
Net sales	\$ 75,025	\$ 77,596
Cost of sales	19,442	19,209
Gross margin	55,583	58,387
Operating expenses:		
Selling, general and administrative	10,328	10,773
Research and development	7,452	6,667
Total operating expenses	17,780	17,440
Operating income	37,803	40,947
Other income (expense):		
Interest income	661	728
Other non-operating expense, net	(478)	(1,175)
Total other income (expense)	183	(447)
Earnings before income taxes	37,986	40,500
Income taxes	12,318	12,979
Net earnings	25,668	27,521
Other comprehensive income (loss):		
Foreign currency translation adjustments	3,925	(3,901)
Unrealized gains (losses) on available-for-sale investments, net of tax of (\$7,589) and (\$18), respectively	(13,559)	(28)
Other comprehensive loss	(9,634)	(3,929)
Comprehensive income	\$ 16,034	\$ 23,592
Earnings per share:		
Basic	\$ 0.70	\$ 0.74
Diluted	\$ 0.70	\$ 0.74

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

Cash dividends per common share:	\$ 0.28	\$ 0.27
Weighted average common shares outstanding:		
Basic	36,828	37,095
Diluted	36,895	37,170

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**CONDENSED CONSOLIDATED BALANCE SHEETS***TECHNE Corporation and Subsidiaries**(in thousands, except share and per share data)*

	<i>September 30, 2012 (unaudited)</i>	<i>June 30, 2012</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 130,805	\$ 116,675
Short-term available-for-sale investments	142,262	152,311
Trade accounts receivable, less allowance for doubtful accounts of \$458 and \$455, respectively	35,119	35,668
Other receivables	1,791	2,073
Inventories	38,397	38,277
Prepaid expenses	1,769	1,503
Total current assets	350,143	346,507
Available-for-sale investments	131,713	143,966
Property and equipment, net	94,920	93,788
Goodwill	86,936	85,682
Intangible assets, net	46,073	46,476
Other assets	2,844	2,905
	\$ 712,629	\$ 719,324
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 6,541	\$ 6,291
Salaries, wages and related accruals	4,536	4,699
Accrued expenses	3,101	7,275
Income taxes payable	2,553	3,251
Deferred income taxes	6,170	14,234
Total current liabilities	22,901	35,750
Deferred income taxes	9,123	9,132
Shareholders' equity:		
Common stock, par value \$.01 per share; authorized 100,000,000; issued and outstanding 36,828,834 and 36,826,364, respectively	368	368
Additional paid-in capital	132,291	131,851
Retained earnings	535,805	520,448
Accumulated other comprehensive income	12,141	21,775
Total shareholders' equity	680,605	674,442
	\$ 712,629	\$ 719,324

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***TECHNE Corporation and Subsidiaries**(in thousands)**(unaudited)*

	<i>Quarter Ended September 30,</i>	
	<i>2012</i>	<i>2011</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 25,668	\$ 27,521
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	3,105	3,135
Costs recognized on sale of acquired inventory	1,264	2,148
Deferred income taxes	(777)	(1,066)
Stock-based compensation expense	303	290
Excess tax benefit from stock option exercises	(1)	(7)
Losses by equity method investees	41	198
Other	107	19
Change in operating assets and operating liabilities:		
Trade accounts and other receivables	1,053	1,591
Inventories	(1,084)	(226)
Prepaid expenses	(252)	(145)
Trade accounts payable and accrued expenses	218	1,598
Salaries, wages and related accruals	400	825
Income taxes payable	(782)	(1,449)
Net cash provided by operating activities	29,263	34,432
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available-for-sale investments	(21,119)	(44,311)
Proceeds from sales of available-for-sale investments	6,200	10,195
Proceeds from maturities of available-for-sale investments	11,601	24,763
Increase in other long-term assets	(87)	0
Additions to property and equipment	(2,515)	(1,096)
Net cash used in investing activities	(5,920)	(10,449)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends	(10,312)	(10,026)
Proceeds from stock option exercises	136	45
Excess tax benefit from stock option exercises	1	7
Purchase of common stock for stock bonus plans	(573)	(907)
Repurchase of common stock	0	(10,675)
Net cash used in financing activities	(10,748)	(21,556)
Effect of exchange rate changes on cash and cash equivalents	1,535	(805)
Net increase in cash and cash equivalents	14,130	1,622
Cash and cash equivalents at beginning of period	116,675	77,613

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

Cash and cash equivalents at end of period

\$ 130,805 \$ 79,235

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TECHNE Corporation and Subsidiaries

(unaudited)

A. Basis of presentation:

The interim unaudited condensed consolidated financial statements of Techne Corporation and Subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America and with instructions to Form 10-Q and Article 10 of Regulation S-X. The accompanying interim unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

A summary of significant accounting policies followed by the Company is detailed in the Company's Annual Report on Form 10-K for fiscal 2012. The Company follows these policies in preparation of the interim unaudited condensed consolidated financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the fiscal year ended June 30, 2012, included in the Company's Annual Report on Form 10-K for fiscal 2012.

B. Available-for-sale investments:

The Company's available-for-sale investments at September 30, 2012 and June 30, 2012 are carried at fair value and are valued using quoted market prices in active markets (Level 1 input) for identical assets and liabilities.

C. Inventories:

Inventories consist of (in thousands):