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MERGE HEALTHCARE INC

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October 22, 2015

or="#CCEEFF" style="background:#CCEEFF;padding:0in 0in 0in 0in;width:2.5%;">

20

45

39

Restructuring and other, net

16

1

18

1

Total operating expenses

3,084

3,113

6,095

1

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	6,221
Income from operations	
	444
	555
	922
	1,179
Interest income	
	1
	2
	6
	4
Interest expense	
	(49)
)	
	(55)
)	
	2

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	(93
)	
	(111
)	
Other, net	
	46
	(3
)	
	47
	27
Other expense, net	
	(2
)	
	(56
)	
	(40
)	
	(80
)	
Income before income taxes	
	442

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	499
	882
	1,099
Provision for income taxes	
	14
	7
	27
	25
Net income	
	428
	492
	855
	1,074
Less: Net income attributable to noncontrolling interest	

Net income attributable to Seagate Technology plc

\$ 428

\$ 492

\$ 855

\$ 1,074

Net income per share attributable to Seagate Technology plc ordinary shareholders:

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Basic		
\$		1.27
\$		1.33
\$		2.46
\$		2.81
Diluted		
		1.24
		1.30
		2.39
		2.73

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Number of shares used in per share calculations:

Basic	336
	369
	347
	382
Diluted	346
	379
	357

Cash dividends declared per Seagate Technology plc ordinary share

\$	0.43
\$	0.70
\$	0.81
\$	1.02

See Notes to Condensed Consolidated Financial Statements.

SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	December 27, 2013	December 28, 2012	December 27, 2013	December 28, 2012
Net Income	\$ 428	\$ 492	\$ 855	\$ 1,074
Other comprehensive income, net of tax:				
Cash flow hedges				
Change in unrealized loss on cash flow hedges	(2)		(1)	
Less: reclassification for amounts included in net income				
Net change	(2)		(1)	
Marketable securities				
Change in unrealized (loss) gain on marketable securities		(4)	1	23
Less: reclassification for amounts included in net income		2		1
Net change		(2)	1	24
Post-retirement plans				
Change in unrealized gain on post-retirement plans	1		1	
Less: reclassification for amounts included in net income				
Net change	1		1	
Foreign currency translation adjustments		2	5	3
Total other comprehensive income, net of tax	(1)		6	27
Comprehensive income	427	492	861	1,101
Less: Comprehensive income attributable to noncontrolling interest				1
Comprehensive income attributable to Seagate Technology plc	\$ 427	\$ 492	\$ 861	\$ 1,100

See Notes to Condensed Consolidated Financial Statements.

SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	For the Six Months Ended	
	December 27, 2013	December 28, 2012
OPERATING ACTIVITIES		
Net income	\$ 855	\$ 1,074
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	457	430
Share-based compensation	57	36
Deferred income taxes	(15)	(11)
Gain on sale of investments	(32)	(33)
Gain on sale of property and equipment	(4)	(8)
Loss on redemption and repurchase of debt		6
Other non-cash operating activities, net	8	5
Changes in operating assets and liabilities:		
Restricted cash	104	
Accounts receivable, net	51	683
Inventories	(94)	156
Accounts payable	(46)	(496)
Accrued employee compensation	(68)	(62)
Accrued expenses, income taxes and warranty	41	(97)
Vendor non-trade receivables	199	305
Other assets and liabilities	25	(12)
Net cash provided by operating activities	1,538	1,976
INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(304)	(427)
Proceeds from the sale of property and equipment		4
Proceeds from the sale of strategic investments	72	42
Purchases of short-term investments	(87)	(168)
Sales of short-term investments	463	125
Maturities of short-term investments	61	21
Cash used in acquisition of LaCie S.A., net of cash acquired		(36)
Other investing activities, net	(28)	(14)
Net cash provided by (used in) investing activities	177	(453)
FINANCING ACTIVITIES		
Repayments of long-term debt and capital lease obligations		(58)
Net proceeds from issuance of long term debt	791	
Repurchases of ordinary shares	(1,702)	(1,510)
Dividends to shareholders	(277)	(377)
Proceeds from issuance of ordinary shares under employee stock plans	61	168
Escrow deposit for acquisition of noncontrolling shares of LaCie S.A.		(72)
Other financing activities, net	(5)	
Net cash used in financing activities	(1,132)	(1,849)
Effect of foreign currency exchange rate changes on cash and cash equivalents	2	2
Increase (decrease) in cash and cash equivalents	585	(324)
Cash and cash equivalents at the beginning of the period	1,708	1,707
Cash and cash equivalents at the end of the period	\$ 2,293	\$ 1,383

SEAGATE TECHNOLOGY PLC

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

For the Six Months Ended December 27, 2013

(In millions)

(Unaudited)

	Seagate Technology plc Ordinary Shareholders							
	Total Equity	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total	Noncontrolling Interest
Balance at June 28, 2013	\$ 3,506	359	\$	\$ 5,286	\$ (13)	\$ (1,778)	\$ 3,495	\$ 11
Net income	855					855	855	
Other comprehensive income	6				5		5	1
Issuance of ordinary shares under employee stock plans	61	6		61			61	
Repurchases of ordinary shares	(1,702)	(37)				(1,702)	(1,702)	
Dividends to shareholders	(277)					(277)	(277)	
Share-based compensation	57			57			57	
Purchase of additional subsidiary shares from noncontrolling interest	(11)				1		1	(12)
Balance at December 27, 2013	\$ 2,495	328	\$	\$ 5,404	\$ (7)	\$ (2,902)	\$ 2,495	\$

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization

The Company is a leading provider of data storage products. Its principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives are used as the primary medium for storing electronic data.

The Company produces a broad range of electronic data storage products including HDDs, solid state hybrid drives (SSHD) and solid state drives (SSD), which address enterprise applications, where its products are designed for enterprise servers, mainframes and workstations; client compute applications, where its products are designed primarily for desktop and notebook computers; and client non-compute applications, where its products are designed for a wide variety of end user devices such as digital video recorders (DVRs), personal data backup systems, portable external storage systems and digital media systems. In addition to manufacturing and selling data storage products, the Company provides data storage services for small to medium-sized businesses, including online backup, data protection and recovery solutions.

Basis of Presentation and Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and all its wholly-owned and majority-owned subsidiaries, after elimination of intercompany transactions and balances. The preparation of financial statements in accordance with accounting principles generally accepted in the United States also requires management to make estimates and assumptions that affect the amounts reported in the Company's condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its condensed consolidated financial statements. The condensed consolidated financial statements reflect, in the opinion of management, all material adjustments necessary to present fairly the condensed consolidated financial position, results of operations, comprehensive income, cash flows and shareholders' equity for the periods presented. Such adjustments are of a normal and recurring nature. The Company's Consolidated Financial Statements for the fiscal year ended June 28, 2013, are included in its Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission (SEC) on August 7, 2013. The Company believes that the disclosures included in the unaudited Condensed Consolidated Financial Statements, when read in conjunction with its Consolidated Financial Statements as of June 28, 2013, and the notes thereto, are adequate to make the information presented not misleading.

The results of operations for the three and six months ended December 27, 2013, are not necessarily indicative of the results of operations to be expected for any subsequent interim period in the Company's fiscal year ending June 27, 2014. The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. The three months ended December 27, 2013 and December 28, 2012 each consisted of 13 weeks. Fiscal year 2014 will be comprised of 52 weeks and will end on June 27, 2014.

Summary of Significant Accounting Policies

Other than the revised presentation of accumulated other comprehensive income described below, there have been no significant changes in our significant accounting policies. Please refer to Note 1 of Financial Statements and Supplementary Data contained in Part II, Item 8 of the

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Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2013, as filed with the SEC on August 7, 2013 for a discussion of the Company's other significant accounting policies.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (ASC Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The ASU requires an entity to report information, either on the face of the statement where net income is presented or in the notes, about the amounts reclassified out of accumulated other comprehensive income by component and to report significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The ASU has been adopted by the Company effective for the first quarter of fiscal year 2014. Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

In July, 2013, the FASB issued ASU No. 2013-11, *Income Taxes (ASC Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The amendments in this ASU provide explicit guidance that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax

loss, or a tax credit carryforward, with limited exceptions. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and do not require new recurring disclosures. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

2. **Balance Sheet Information**

Investments

The following table summarizes, by major type, the fair value and amortized cost of the Company's investments as of December 27, 2013:

(Dollars in millions)	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
Available-for-sale securities:			
Money market funds	\$ 970	\$	970
Commercial paper	909		909
Corporate bonds	5		5
U.S. treasuries and agency bonds			
Certificates of deposit			