

THORATEC CORP
Form 10-Q
November 07, 2011
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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 October 1, 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: 000-49798

THORATEC CORPORATION

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(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of incorporation
or organization)

94-2340464

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

6035 Stoneridge Drive, Pleasanton, California

(Address of principal executive offices)

94588

(Zip Code)

(925) 847-8600

(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 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if 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 October 21, 2011, the registrant had 59,927,911 shares of common stock outstanding.

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THORATEC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands)

	October 1, 2011	January 1, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 62,775	\$ 56,887
Short-term available-for-sale investments	153,896	391,256
Receivables, net of allowances of \$1,884 and \$1,334, respectively	55,234	57,213
Inventories	63,107	59,790
Deferred tax assets	9,651	9,677
Income tax receivable	4,884	9,538
Prepaid expenses and other assets	5,520	5,706
Total current assets	355,067	590,067
Property, plant and equipment, net	39,554	38,077
Goodwill	195,293	95,015
Purchased intangible assets, net	95,150	88,518
Long-term available-for-sale investments	15,935	21,379
Other long-term assets	6,145	4,687
Total Assets	\$ 707,144	\$ 837,743
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,817	\$ 13,495
Accrued compensation	17,711	20,753
Other accrued liabilities	13,640	14,604
Senior subordinated convertible notes		138,165
Total current liabilities	45,168	187,017
Long-term deferred tax liability	20,295	20,109
Other long-term liabilities	8,555	9,257
Contingent liabilities	22,990	
Total Liabilities	97,008	216,383
Shareholders' equity:		
Common shares: no par, authorized 100,000; issued and outstanding 59,923 and 58,571 as of October 1, 2011 and January 1, 2011, respectively		
Additional paid-in capital	589,816	606,782
Retained earnings	40,242	18,603

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Accumulated other comprehensive loss:				
Unrealized loss on investments		(1,674)		(1,660)
Cumulative translation adjustments		(18,248)		(2,365)
Total accumulated other comprehensive loss		(19,922)		(4,025)
Total Shareholders' Equity		610,136		621,360
Total Liabilities and Shareholders' Equity	\$	707,144	\$	837,743

See notes to the unaudited condensed consolidated financial statements.

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THORATEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Product sales	\$ 102,584	\$ 90,996	\$ 313,335	\$ 285,366
Cost of product sales	30,898	28,621	93,043	90,771
Gross profit	71,686	62,375	220,292	194,595
Operating expenses:				
Selling, general and administrative	25,062	21,104	76,275	64,010
Research and development	16,273	12,332	47,826	44,135
Amortization of purchased intangible assets	2,609	2,446	7,108	7,326
Total operating expenses	43,944	35,882	131,209	115,471
Income from operations	27,742	26,493	89,083	79,124
Other income and (expense):				
Interest expense and other	(3)	(3,125)	(4,650)	(9,280)
Interest income and other	283	1,362	1,526	4,261
Impairment on investment		(11)		(2,057)
Income before income taxes	28,022	24,719	85,959	72,048
Income tax expense	(9,033)	(9,239)	(28,729)	(25,667)
Income from continuing operations	18,989	15,480	57,230	46,381
Loss from discontinued operations (net of tax)	(1,031)	(1,183)	(1,031)	(3,697)
Net income	\$ 17,958	\$ 14,297	\$ 56,199	\$ 42,684
Income (loss) per share Basic:				
Continuing operations	\$ 0.32	\$ 0.26	\$ 0.97	\$ 0.80
Discontinued operations	(0.02)	(0.02)	(0.02)	(0.06)
Net income	\$ 0.30	\$ 0.24	\$ 0.95	\$ 0.74
Income (loss) per share Diluted:				
Continuing operations	\$ 0.31	\$ 0.26	\$ 0.95	\$ 0.78
Discontinued operations	(0.02)	(0.02)	(0.02)	(0.06)
Net income	\$ 0.29	\$ 0.24	\$ 0.93	\$ 0.72
Shares used to compute income (loss) per share:				
Basic	59,763	58,138	58,630	57,473
Diluted	60,666	66,612	63,306	66,216

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010

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(in thousands)

Net income	\$	17,958	\$	14,297	\$	56,199	\$	42,684
Unrealized gains (losses) on investments (net of taxes of \$128 and \$92 for the three months ended October 1, 2011 and October 2, 2010, respectively, and \$9 and \$252 for the nine months ended October 1, 2011 and October 2, 2010, respectively)		(209)		116		(14)		(591)
Foreign currency translation adjustments		(17,073)		1,157		(15,883)		(589)
Total other comprehensive (loss) income		(17,282)		1,273		(15,897)		(1,180)
Comprehensive income	\$	676	\$	15,570	\$	40,302	\$	41,504

See notes to the unaudited condensed consolidated financial statements.

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THORATEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Nine Months Ended	
	October 1, 2011	October 2, 2010
Cash flows from continuing operating activities:		
Income from continuing operations	\$ 57,230	\$ 46,381
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	12,818	12,309
Investment premium amortization, net	2,935	3,795
Loss on extinguishment of senior subordinated convertible notes		99
Non-cash interest income and other	378	687
Non-cash interest expense	2,815	7,152
Write-down on investment		2,057
Tax benefit related to stock options	1,348	10,343
Share-based compensation expense	11,732	9,624
Excess tax benefits from share-based compensation	(1,397)	(9,458)
Loss on disposal of assets	26	529
Change in deferred taxes, net	(4,055)	(4,027)
Changes in assets and liabilities, net of acquisition of Levitronix Medical:		
Receivables	4,268	(3,080)
Inventories	779	(15,939)
Prepaid expenses and other assets	(271)	(277)
Accrued compensation and other accrued liabilities	(4,490)	10,310
Accounts payable	(1,021)	4,718
Income taxes, net	4,018	(13,851)
Net cash provided by continuing operating activities	87,113	61,372
Cash flows from continuing investing activities:		
Purchases of available-for-sale investments	(236,399)	(398,874)
Sales and maturities of available-for-sale investments	476,264	338,613
Acquisition of Levitronix Medical, net of cash acquired	(109,974)	
Loan collections		2,756