

BIOVAIL CORPORATION INTERNATIONAL
Form 6-K
May 30, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

COMMISSION FILE NUMBER 001-11145

BIOVAIL CORPORATION

(Translation of Registrant's name into English)

2488 DUNWIN DRIVE, MISSISSAUGA, ONTARIO, L5L 1J9, CANADA

(Address of principal executive office and zip code)

Registrant's telephone number, including area code: (416) 285-6000

Indicate by check mark whether the registrant files or will file annual reports
under cover of
Form 20-F or Form 40-F.

FORM 20-F /X/

FORM 40-F / /

Indicate by check mark whether the registrant by furnishing the information
contained in this form is also thereby furnishing the information to the
commission pursuant to Rule 12g 3-2(b) under the Securities Exchange Act of
1934.

YES / /

NO /X/

BIOVAIL CORPORATION
QUARTERLY REPORT

THIS REPORT OF FOREIGN ISSUER ON FORM 6-K IS INCORPORATED BY REFERENCES INTO
THE REGISTRATION STATEMENT ON FORM S-8 OF BIOVAIL CORPORATION (REGISTRATION
NO. 333-92229).

INDEX

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PART I -- FINANCIAL INFORMATION

Financial Statements

Consolidated Balance Sheets as at March 31, 2001 and December 31, 2000.....	3
Consolidated Statements of Income (Loss) for the three months ended March 31, 2001 and 2000.....	4
Consolidated Statements of Cash Flows for the three months ended March 31, 2001 and 2000.....	5
Condensed Notes to the Consolidated Financial Statements.....	6
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	11
Quantitative and Qualitative Disclosure about Market Risk...	15

PART II -- OTHER INFORMATION

Operational Information.....	16
Legal Proceedings.....	16
Material Issued to Shareholders.....	16

All dollar amounts in this quarterly report are expressed in U.S. dollars unless otherwise stated.

2

BIOVAIL CORPORATION

CONSOLIDATED BALANCE SHEETS

IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(ALL DOLLAR AMOUNTS ARE EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
CURRENT		
Cash and cash equivalents.....	\$ 49,566	\$ 125,144
Accounts receivable [note 3].....	87,178	105,850
Inventories [note 4].....	31,845	24,108
Deposits and prepaid expenses.....	10,727	5,347
	-----	-----
Long-term investments.....	179,316	260,449
Property, plant and equipment, net.....	1,674	1,561
Goodwill, net.....	62,025	52,541
	-----	-----
	100,168	103,105

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Intangible assets, net [note 5].....	659,545	667,431
Other assets, net.....	22,014	22,180
	-----	-----
	\$1,024,742	\$1,107,267
	=====	=====

LIABILITIES

CURRENT

Accounts payable.....	\$ 28,871	\$ 34,683
Accrued liabilities.....	46,896	35,452
Income taxes payable.....	6,151	6,711
Deferred revenue.....	29,632	26,334
Current portion of long-term obligations [note 6].....	136,500	182,564
	-----	-----
	248,050	285,744
Deferred revenue.....	26,700	27,900
Long-term obligations [note 6].....	177,021	256,180
Convertible Subordinated Preferred Equivalent Debentures....	299,985	299,985
	-----	-----
	751,756	869,809
	-----	-----

SHAREHOLDERS' EQUITY

Common shares, no par value, unlimited shares authorized, 132,142,000 and 131,461,000 issued and outstanding at March 31, 2001 and December 31, 2000, respectively [note 7].....	500,648	492,733
Warrants.....	7,912	7,912
Deficit.....	(232,653)	(261,819)
Accumulated other comprehensive loss.....	(2,921)	(1,368)
	-----	-----
	272,986	237,458
	-----	-----
	\$1,024,742	\$1,107,267
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

3

BIOVAIL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(ALL DOLLAR AMOUNTS EXCEPT PER SHARE DATA ARE EXPRESSED IN THOUSANDS OF
U.S. DOLLARS)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	-----	-----
	(Unaudited)	
REVENUE		
Product sales.....	\$111,927	\$ 35,853
Research and development.....	1,566	11,651

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Royalty and licensing.....	5,734	3,278
	-----	-----
	119,227	50,782
	-----	-----
EXPENSES		
Cost of goods sold.....	26,554	11,035
Research and development.....	11,407	11,766
Selling, general and administrative.....	36,878	11,936
	-----	-----
	74,839	34,737
	-----	-----
Operating income.....	44,388	16,045
Interest expense, net.....	(12,472)	(266)
	-----	-----
Income before income taxes.....	31,916	15,779
Provision for income taxes.....	2,750	813
	-----	-----
Income before extraordinary item and cumulative effect of change in accounting principle.....	29,166	14,966
Extraordinary item.....	--	(20,039)
	-----	-----
Income (loss) before cumulative effect of change in accounting principle.....	29,166	(5,073)
Cumulative effect of change in accounting principle [note 2].....	--	(43,500)
	-----	-----
NET INCOME (LOSS).....	\$ 29,166	\$ (48,573)
	=====	=====
BASIC EARNINGS (LOSS) PER SHARE [note 8]		
Income before extraordinary item and cumulative effect of change in accounting principle.....	\$ 0.22	\$ 0.12
Extraordinary item.....	--	(0.16)
Cumulative effect of change in accounting principle.....	--	(0.35)
	-----	-----
Net income (loss).....	\$ 0.22	\$ (0.39)
	=====	=====
DILUTED EARNINGS (LOSS) PER SHARE [note 8]		
Income before extraordinary item and cumulative effect of change in accounting principle.....	\$ 0.20	\$ 0.11
Extraordinary item.....	--	(0.15)
Cumulative effect of change in accounting principle.....	--	(0.31)
	-----	-----
Net income (loss).....	\$ 0.20	\$ (0.35)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (000S) [note 8]		
Basic.....	131,773	125,584
	=====	=====
Diluted.....	148,084	140,522
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(ALL DOLLAR AMOUNTS ARE EXPRESSED IN THOUSANDS OF U.S. DOLLARS)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss).....	\$ 29,166	\$ (48,573)
Depreciation and amortization.....	13,403	5,540
Amortization of discount on long-term obligations.....	3,954	--
Deferred income taxes.....	1,450	--
Compensation cost for employee stock options.....	500	--
Extraordinary item.....	--	20,039
Cumulative effect of change in accounting principle.....	--	43,500
	48,473	20,506
Change in non-cash operating items [note 10].....	16,857	(22,518)
	65,330	(2,012)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment, net.....	(12,987)	(3,929)
Additions to intangible assets.....	(14,002)	--
Reduction in intangible assets.....	8,750	261
Acquisition of long-term investments.....	(42)	(2,285)
Maturity of short-term investments, net.....	--	46,346
Proceeds from sale of assets held for disposal.....	--	17,000
	(18,281)	57,393
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES.....		
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares.....	7,415	102,298
Repayments under revolving term credit facility.....	(76,095)	--
Reduction in other long-term obligations.....	(53,820)	(10,651)
Issuance of Convertible Subordinated Preferred Equivalent Debentures, net of financing costs.....	--	290,312
Repurchase of U.S. Dollar Senior Notes.....	--	(141,017)
Collection of warrant subscription receivable.....	--	1,282
	(122,500)	242,224
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES.....		
Effect of exchange rate changes on cash and cash equivalents.....	(127)	(21)
	(75,578)	297,584
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(75,578)	297,584
Cash and cash equivalents, beginning of period.....	125,144	178,086
	\$ 49,566	\$ 475,670
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 49,566	\$ 475,670

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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

5

BIOVAIL CORPORATION

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(TABULAR AMOUNTS EXCEPT PER SHARE DATA ARE EXPRESSED IN THOUSANDS OF
U.S. DOLLARS)
(UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by the Company in U.S. dollars and in accordance with U.S. generally accepted accounting principles ("GAAP"). The interim financial statements have been prepared using accounting policies that are consistent with policies used in preparing the 2000 annual consolidated financial statements. Accordingly, these unaudited condensed notes to the consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes on Form 20-F for the year ended December 31, 2000. Certain of the prior year's interim figures have been reclassified to conform to the current interim period's presentation.

In preparing the Company's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

2. CHANGES IN ACCOUNTING POLICIES

REVENUE RECOGNITION

Non-refundable, up-front fees for access to the Company's proprietary technology in connection with certain research and development arrangements are deferred and recognized as revenue on a straight-line basis over the term of the relevant arrangement. License revenue is deferred and recognized on a straight-line basis over the license period. If there are future performance obligations of the Company, or contingent future events relating to the amounts received or receivable under license agreements, revenue attributable to these obligations or future events is deferred and recognized upon the completion of the specific event.

In the fourth quarter of 2000, the Company implemented the provisions of the U.S. Securities and Exchange Commission's, Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements", retroactively to January 1, 2000, as required. Accordingly, the Company changed its method of accounting to that described above for up-front research and development, product license and certain other fees. The Company historically recognized these fees as revenues when all the conditions to payment had been met, and there were no further performance contingencies or conditions to the Company's receipt of payment. These fees

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were not creditable against future payments. At January 1, 2000, the cumulative effect of the change in accounting principle on prior years resulted in a charge of \$43,500,000, which is included in the net loss for the three months ended March 31, 2000. The related deferred revenue recognized for the three months ended March 31, 2001 and 2000 was \$1,575,000 and \$1,825,000, respectively.

ACCOUNTING FOR DERIVATIVES

The Company implemented the Financial Accounting Standards Board's, Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires a company to recognize all derivative instruments as assets or liabilities in its balance sheet and to measure them at fair value. The adoption of SFAS No. 133 did not result in any cumulative effect adjustment in the consolidated statements of income (loss), and did not have a material impact on the Company's financial position or results of operation for the three months ended March 31, 2001.

3. ACCOUNTS RECEIVABLE

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
Trade.....	\$79,796	\$ 98,442
Royalties.....	4,825	3,565
Other.....	2,557	3,843
	-----	-----
	\$87,178	\$105,850
	=====	=====

6

BIOVAIL CORPORATION

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(TABULAR AMOUNTS EXCEPT PER SHARE DATA ARE EXPRESSED IN THOUSANDS OF
U.S. DOLLARS)
(UNAUDITED)

4. INVENTORIES

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
Raw materials.....	\$ 7,342	\$ 7,140
Work in process.....	6,962	5,079
Finished goods.....	17,541	11,889
	-----	-----
	\$31,845	\$24,108
	=====	=====

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5. INTANGIBLE ASSETS

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
Workforce.....	\$ 7,241	\$ 7,241
Core technology.....	11,185	11,185
Brand names, product rights and royalty interests.....	663,547	662,096
	-----	-----
	681,973	680,522
Less accumulated amortization.....	22,428	13,091
	-----	-----
	\$659,545	\$667,431
	=====	=====

Amortization expense amounted to \$9,553,000 and \$3,162,000 for the three months ended March 31, 2001 and 2000, respectively.

6. LONG-TERM OBLIGATIONS

	MARCH 31, 2001	DECEMBER 31, 2000
	-----	-----
Revolving term credit facility.....	\$133,905	\$210,000
Aventis obligation.....	122,917	161,828
Elan obligation.....	48,164	58,090
Deferred compensation.....	8,490	8,311
Non-interest bearing government loan.....	--	470
Other debt.....	45	45
	-----	-----
	313,521	438,744
Less current portion.....	136,500	182,564
	-----	-----
	\$177,021	\$256,180
	=====	=====

Interest expense on long-term obligations amounted to \$7,887,000 and \$3,704,000 for the three months ended March 31, 2001 and 2000, respectively. Interest expense for the three months ended March 31, 2001 includes \$3,954,000 related to the amortization of the discount on the Aventis and Elan obligations.

7. COMMON SHARES

For the three months ended March 31, 2001, 681,151 common shares were issued on the exercise of stock options and through the Company's Employee Stock Purchase Plan. The Company received proceeds of \$7,415,000.

The number of common shares outstanding at March 31, 2001 and December 31, 2000 were 132,142,211 and 131,461,060, respectively.

The number of stock options outstanding at March 31, 2001 and December 31, 2000 were 9,415,000 and 10,049,000, respectively.

BIOVAIL CORPORATION

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(TABULAR AMOUNTS EXCEPT PER SHARE DATA ARE EXPRESSED IN THOUSANDS OF
U.S. DOLLARS)
(UNAUDITED)

8. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is determined in accordance with SFAS No. 128, "Earnings Per Share". Earnings (loss) per share is based on net income (loss). Basic earnings per share is computed using the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is computed after giving effect to the potentially dilutive warrants, stock options and convertible securities. The computation of basic and diluted earnings (loss) per share was as follows:

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
	-----	-----
BASIC EARNINGS (LOSS) PER SHARE		
Net income (loss).....	\$ 29,166	\$(48,573)
Weighted average number of common shares outstanding (000s).....	131,773	125,584
	-----	-----
Basic earnings (loss) per share.....	\$ 0.22	\$ (0.39)
	=====	=====
 DILUTED EARNINGS (LOSS) PER SHARE		
Net income (loss).....	\$ 29,166	\$(48,573)
Weighted average number of common shares outstanding (000s).....	131,773	125,584
Dilutive effect of warrants (000s).....	10,718	9,400
Dilutive effect of stock options (000s).....	5,593	5,538
	-----	-----
Adjusted weighted average number of common shares outstanding (000s).....	148,084	140,522
	-----	-----
Diluted earnings (loss) per share.....	\$ 0.20	\$ (0.35)
	=====	=====

For both periods presented, the Convertible Subordinated Preferred Equivalent Debentures have been excluded from the calculation of diluted earnings (loss) per share because the effect would have been anti-dilutive.

9. COMPREHENSIVE INCOME (LOSS)

Pursuant to the requirements of SFAS No. 130 "Reporting Comprehensive Income", which established standards for the reporting of comprehensive income and its components, the following disclosure is provided:

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	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Net income (loss).....	\$29,166	\$(48,573)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment.....	(1,624)	(439)
Unrealized holding gain on long-term investments.....	71	893
Other comprehensive income (loss).....	(1,553)	454
Comprehensive income (loss).....	\$27,613	\$(48,119)

8

BIOVAIL CORPORATION

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(TABULAR AMOUNTS EXCEPT PER SHARE DATA ARE EXPRESSED IN THOUSANDS OF
U.S. DOLLARS)
(UNAUDITED)

10. CHANGE IN NON-CASH OPERATING ITEMS

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Accounts receivable.....	\$18,730	\$(12,340)
Inventories.....	(7,714)	(5,550)
Deposits and prepaid expenses.....	(5,380)	1,188
Accounts payable and accrued liabilities.....	9,681	(3,241)
Income taxes payable.....	(558)	(261)
Deferred revenue.....	2,098	(2,314)
	\$16,857	\$(22,518)

11. LEGAL PROCEEDINGS

For detailed information concerning legal proceedings, reference is made to Item 8.A. of the Company's Annual Report on Form 20-F for the year ended December 31, 2000.

12. RELATED PARTY TRANSACTIONS

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In March 2001, the Company loaned \$600,000 to an executive officer of the Company. The loan is secured by a mortgage/charge on the officer's personal residence. The loan does not bear interest until March 1, 2004 and, thereafter, bears interest at a rate equal to the Company's rate of borrowing. The loan is due on the earlier of termination of employment or March 31, 2008.

13. SEGMENTED INFORMATION

Organizationally, the Company's operations consist of three segments -- Product Sales, Research and Development, and Royalty and Licensing. The segments are determined based on several factors including customer base, the nature of the product or service provided, delivery channels and other factors.

The PRODUCT SALES segment covers sales of production from the Company's Puerto Rican and Canadian facilities, and sales of proprietary and in-licensed branded products by the Company's sales and marketing operations.

The RESEARCH AND DEVELOPMENT segment covers all revenues generated by the Company's integrated research and development facilities, and comprises research and development services provided to third parties, including Intelligent Polymers Limited prior to September 29, 2000, and product development milestone fees.

The ROYALTY AND LICENSING segment covers royalty revenues received from licensees in respect of products for which the Company has manufacturing, marketing and/or intellectual property rights.

9

BIOVAIL CORPORATION

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(TABULAR AMOUNTS EXCEPT PER SHARE DATA ARE EXPRESSED IN THOUSANDS OF
U.S. DOLLARS)
(UNAUDITED)

13. SEGMENTED INFORMATION (CONTINUED) INFORMATION BY REPORTABLE SEGMENTS

	THREE MONTHS END MARCH 31, 2001		
	PRODUCT SALES	RESEARCH AND DEVELOPMENT	ROYAL LICE
Revenue from external customers.....	\$111,927	\$ 1,566	\$5,
Segment operating income (loss).....	54,781	(11,140)	5,
 UNALLOCATED AMOUNTS			
Selling, general and administrative expenses.....			
Interest expense, net.....			
 Income before income taxes.....			

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	THREE MONTHS END MARCH 31, 2000		
	PRODUCT SALES	RESEARCH AND DEVELOPMENT	ROYAL LICE
Revenue from external customers.....	\$35,853	\$11,651	\$3,
Segment operating income (loss).....	16,588	(1,644)	3,
UNALLOCATED AMOUNTS			
Selling, general and administrative expenses.....			
Interest expense, net.....			
Income before income taxes.....			

10

BIOVAIL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(ALL DOLLAR AMOUNTS ARE EXPRESSED IN U.S. DOLLARS)

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the accompanying unaudited consolidated financial statements and condensed notes thereto. This MD&A should also be read in conjunction with the MD&A and audited consolidated financial statements and notes thereto on Form 20-F for the year ended December 31, 2000.

OVERVIEW

Our results for the first quarter 2001 reflected the impact of the strategic business acquisitions completed during 2000. Most notably the increase in our product sales reflected the addition of the Cardizem-Registered Trademark-product line ("Cardizem-Registered Trademark-") which we acquired from Aventis Pharmaceuticals Inc. ("Aventis"). Cardizem-Registered Trademark- is being marketed in Canada through Crystaal, and in the United States through Biovail Pharmaceuticals, Inc. ("Biovail Pharmaceuticals"), formerly DJ Pharma, Inc. ("DJ Pharma") which we acquired in October 2000. In addition to Cardizem-Registered Trademark-, our first quarter 2001 product sales included the incremental revenue from Biovail Pharmaceuticals' existing product portfolio. The decline in research and development revenue reflected our December 2000 acquisition of Intelligent Polymers Limited ("Intelligent Polymers") and its development pipeline of branded generic products, which we were developing on their behalf prior to September 29, 2000.

Our revenues are derived from sales of pharmaceutical products, providing research and development services, and from royalties and license fees. Product sales include sales of products developed and manufactured by us for our licensees, direct marketing in Canada and the United States of proprietary and in-licensed products, and revenue derived from product co-promotion. Research and development revenues relate to product development activity on behalf of

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third parties, and pharmaceutical contract research services. Royalties primarily arise on sales of the products we developed. License fees are derived from the license of our technologies or product rights.

CHANGES IN ACCOUNTING PRINCIPLES

REVENUE RECOGNITION

We have adopted the U.S. Securities and Exchange Commission's ("SEC"), Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements", retroactively applied to January 1, 2000. Accordingly, we have changed our revenue recognition accounting policy for up-front research and development, product license and certain other fees. Historically, we had recognized these fees as revenues when all the conditions to payment had been met, and there were no further performance contingencies or conditions to our receipt of payment. These fees were not creditable against future payments. At January 1, 2000, the cumulative effect of the change in accounting principle on prior years resulted in a charge of \$43.5 million, which is included in the net loss for the three months ended March 31, 2000. The related deferred revenue recognized for the three months ended March 31, 2001 and 2000, was \$1.6 million and \$1.8 million, respectively.

ACCOUNTING FOR DERIVATIVES

We implemented the Financial Accounting Standards Board's, Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 requires a company to recognize all derivative instruments as assets or liabilities in its balance sheet and to measure them at fair value. The adoption of SFAS No. 133 did not result in any cumulative effect adjustment in the consolidated statements of income (loss), and did not have a material impact on our financial position or results of operation for the three months ended March 31, 2001.

11

RESULTS OF OPERATIONS

Total revenue for the first quarter 2001 was \$119.2 million, an increase of \$68.4 million or 134% from \$50.8 million for the first quarter 2000. Income before extraordinary item and cumulative effect of change in accounting principle for the first quarter 2001 was \$29.2 million, or diluted earnings per share of \$0.20, compared to \$15.0 million, or diluted earnings per share of \$0.11, for the first quarter 2000. Income before extraordinary item and cumulative effect of change in accounting principle and diluted earnings per share increased by 95% and 81%, respectively for the first quarter 2001 compared to the first quarter 2000.

The results for the first quarter 2000 include charges of \$20.0 million for the premium paid to extinguish our 10 7/8% U.S. Dollar Senior Notes (the "Senior Notes"), and \$43.5 million for the cumulative effect of the adoption of SAB 101.

REVENUE

PRODUCT SALES

Product sales for the first quarter 2001 were \$111.9 million compared to \$35.9 million for the first quarter 2000, an increase of \$76.0 million or 212%. The increase in product sales was due to a combination of the contribution from Cardizem-Registered Trademark-, incremental revenues from Biovail Pharmaceuticals' Dura-Vent, Rondec and Cedax products, and strong sales from our generic product portfolio, which were favourably impacted by the February 2001

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launch of Procardia XL 30mg dosage and the 2000 launches of Voltaren XR, Adalat CC 30mg and 60mg dosages, and Procardia XL 60mg dosage.

Product sales were negatively impacted by lost sales of Biovail Pharmaceuticals' Keftab product. On March 7, 2001, Eli Lilly & Company ("Eli Lilly") announced a voluntary recall of Keftab tablets because of undefined problems with stability. We believe Eli Lilly is responsible for manufacturing and supplying acceptable products to us, as well as for the cost of the recall.

RESEARCH AND DEVELOPMENT

Research and development revenue for the first quarter 2001 was \$1.6 million, a decline of \$10.1 million or 87% from \$11.7 million for the first quarter 2000. This decline reflects our acquisition of Intelligent Polymers in December 2000, and the elimination of revenue from development activities performed on their behalf. We earned revenue of \$9.7 million from Intelligent Polymers in the first quarter of 2000.

ROYALTY AND LICENSING

Net royalty and licensing revenue for the first quarter 2001 was \$5.7 million compared to \$3.3 million for the first quarter 2000, an increase of \$2.4 million or 75%. In both quarters, most of our royalties were derived from sales of Tiazac-Registered Trademark- to Forest Laboratories Inc. The increase in the first quarter of 2001 reflected higher Tiazac-Registered Trademark-product sales, and the inclusion of a royalty associated with sales of Cardizem-Registered Trademark- by a third party.

OPERATING EXPENSES

COST OF GOODS SOLD AND GROSS MARGINS

Cost of goods sold was \$26.6 million for the first quarter 2001 compared to \$11.0 million for the first quarter 2000. The \$15.6 million, or 141%, quarter over quarter increase was the result of increased product sales volumes from the additions of Cardizem-Registered Trademark-, Biovail Pharmaceuticals' products, and generic product launches.

Gross margins based on product sales for the first quarter 2001 and 2000 were 76% and 69%, respectively. Our gross margins are impacted quarter to quarter by sales volumes, pricing, product mix and manufacturing volumes. The increase in gross margin for the first quarter 2001 compared to the first quarter 2000 reflected the positive impact of Cardizem-Registered Trademark-sales, and the inclusion of Biovail Pharmaceuticals' directly marketed products.

12

RESEARCH AND DEVELOPMENT

Research and development expenses for the first quarter 2001 were \$11.4 million compared to \$11.8 million for the first quarter 2000. Research and development expenses reflected direct spending on the development of branded generic and generic products, and rapid dissolve products utilizing our FlashDose technology. The slight quarter over quarter decline in the research and development expenses reflected a reduction in overhead costs at Biovail Technologies Ltd., formerly Fuisz Technologies Ltd. ("Fuisz") following a period of transition and integration in the first quarter of 2000.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses for the first quarter 2001 were \$36.9 million, an increase of \$25.0 or 209% from \$11.9 million for the first

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quarter 2000. The increase in selling, general and administrative expenses reflected the acquisitions of, and the related amortization expense associated with, DJ Pharma and Cardizem-Registered Trademark-.

NON-OPERATING ITEMS

INTEREST EXPENSE

For the first quarter 2001, net interest expense of \$12.5 million was comprised of interest expense of \$13.1 million net of interest income of \$578,000, compared to net interest expense of \$266,000 for the first quarter of 2000, comprised of interest expense of \$4.2 million net of interest income of \$3.9 million.

The increase in interest expense primarily reflected interest on advances under our revolving term Senior Secured Credit Facility (the "Credit Facility") and the amortization of the discount on the obligation to Aventis for Cardizem-Registered Trademark-.

The decrease in interest income reflected a decline in the average size of our investment portfolio following the acquisitions of DJ Pharma and Intelligent Polymers in the fourth quarter of 2000, and after the first quarterly instalment payment to Aventis and repayments made under the Credit Facility in the first quarter of 2001.

INCOME TAXES

Our tax rate was affected by the relative profitability of our operations in various foreign tax jurisdictions. We recorded provisions for income taxes of \$2.8 million and \$813,000 in the first quarter of 2001 and 2000, respectively. These provisions reflect effective tax rates on income before taxes, excluding non-deductible amounts, of approximately 9% and 6% in the first quarter of 2001 and 2000, respectively. The low effective tax rate reflected that most of our income was derived from foreign subsidiaries with lower statutory tax rates than those that apply in Canada. The benefit of tax losses historically incurred by our Canadian operations has not been recognized for accounting purposes to date. With our acquisitions of DJ Pharma and Fuisz we have experienced some upward movement in our effective tax rate, as these operations earn income predominately in the United States.

EXTRAORDINARY ITEM

The total consideration paid to repurchase our Senior Notes was \$141.0 million of which \$16.0 million was an inducement premium to the holders. As a result of this transaction, we replaced our high yield debt with convertible debt at a significantly lower cost of borrowing. The extraordinary item reported in the first quarter of 2000 included the premium paid, and \$4.0 million of deferred financing costs associated with the Senior Notes that were written-off.

EBITDA

EBITDA, which is defined as earnings before interest, taxes, depreciation and amortization, increased by \$36.2 million or 168% to \$57.8 million for the first quarter 2001 from \$21.6 million for the first quarter 2000.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, we had cash and cash equivalents of \$49.6 million compared to cash and cash equivalents of \$125.1 million at December 31, 2000. In

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December 2000, we arranged a \$300 million Credit Facility that, subject to certain covenants, permits us to borrow funds for general corporate purposes including acquisitions.

At March 31, 2001, we had total long-term obligations of \$313.5 million, including the current portion thereof. Long-term obligations consisted of \$133.9 million drawn on the Credit Facility, \$122.9 million discounted amount owing to Aventis for Cardizem-Registered Trademark-, \$48.2 million discounted amount owing to Elan Corporation, plc ("Elan") for the exclusive marketing rights to generic Adalat CC 30mg, and \$8.5 million of other obligations. At December 31, 2000, we had \$438.7 million of long-term obligations, including the current portion thereof, which consisted of \$210 million drawn on the Credit Facility, \$161.8 million discounted amount owing to Aventis, \$58.1 million discounted amount owing to Elan, and \$8.8 million of other obligations.

Also at March 31, 2001 and December 31, 2000, we had \$300.0 million of Convertible Subordinated Preferred Equivalent Debentures (the "Debentures") outstanding, which are due March 31, 2025. The Debentures are convertible at any time into our common shares at \$30.337 per common share, and may be redeemed at our option beginning on March 31, 2003 at prescribed redemption prices. We have the special right to redeem the Debentures if the trading price of our common shares equals or exceeds \$45.505 on the New York Stock Exchange for a specified period, subject to certain restrictions. Interest on the Debentures is payable quarterly in arrears. Subject to certain conditions, we have the right to defer the payment of interest for up to twenty consecutive quarters. Interest and principal are payable in cash or, at our option, using the proceeds from the sale of our common shares or other equity securities.

At March 31, 2001, our working capital ratio was 0.7:1 compared to 0.9:1 at December 31, 2000. This decline was primarily due to a lower cash and cash equivalents balance reflecting repayments made under the Credit Facility.

Cash provided by operating activities, after changes in non-cash operating items, was \$65.3 million for the first quarter 2001 compared to cash used in operating activities of \$2.0 million for the first quarter 2000. This increase reflects net income, after adjustments for non-cash items, of \$48.5 million for the first quarter 2001 compared to \$20.5 million in the first quarter 2000. Changes in non-cash operating items provided cash of \$16.9 million in the first quarter of 2001, and used cash of \$22.5 million in the first quarter of 2000.

Net cash used in investing activities was \$18.3 million for the first quarter 2001 compared to cash provided by investing activities of \$57.4 million for the first quarter 2000. Additions to property, plant and equipment were \$13.0 million and \$3.9 million in the first quarter of 2001 and 2000, respectively. Additions in the first quarter of 2001 included the payment of the remaining purchase price of \$10 million for the Dorado, Puerto Rico, pharmaceutical manufacturing facility. We settled \$4.0 million of acquisition costs related to Cardizem-Registered Trademark-, and acquired other product rights for \$10.0 million in the first quarter of 2001, offset by \$8.8 million recovered from Elan as a reduction to the minimum license payments otherwise payable under the Adalat CC 30mg marketing agreement. The net activity in short-term investments provided cash of \$46.3 million in the first quarter of 2000. During 2000, as our short-term investments matured we generally converted them into cash equivalents with original maturities of 90 days or less. In the first quarter of 2000, we received proceeds of \$17 million on the disposal of Clonmel Healthcare Limited, a subsidiary of Fuisz.

Net cash used in financing activities was \$122.5 million for the first quarter 2001 compared to cash provided by financing activities of \$242.2 million for the first quarter 2000. Proceeds from issue of common shares on the exercise of stock options and through our Employee Stock Purchase Plan were \$7.4 million and \$6.2 million for the first quarter of 2001 and 2000,

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respectively. Net proceeds from the concurrent offering in March 2000 were \$96.1 million from the issue of common shares, and \$290.3 million from the issue of Debentures. A portion of these proceeds was used to repurchase our Senior Notes for \$141.0 million. In the first quarter of 2001, we repaid \$76.1 million under our Credit Facility, and \$53.8 million of other long-term obligations, including the first quarterly instalment to Aventis of \$42.5 million and \$10.9 million to Elan. In the first quarter of 2000, we repaid the debt assumed on the acquisition of Fuisz and other long-term obligations of \$10.7 million. We collected \$1.3 million of the warrant subscription receivable in the first quarter of 2000.

14

Overall, our cash and cash equivalents decreased by \$75.6 million in the first quarter of 2001, and increased by \$297.6 million in the first quarter of 2000.

We believe we have adequate capital resources and sources of financing to support our ongoing operational and interest requirements, investment objectives, and to meet our obligations as they become due. We believe we will be able to raise additional capital, if necessary, to support our objectives.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to financial market risks, including changes in foreign currency exchange rates, interest rates on investments and debt obligations and equity market prices on long-term investments. We do not use derivative financial instruments for speculative or trading purposes.

Inflation has not had a significant impact on our results of operations.

FOREIGN CURRENCY RISK

We operate internationally, however a substantial portion of our revenue and expense activities and capital expenditures are transacted in U.S. dollars. Our only other significant transactions are in Canadian dollars, and we do not believe we have a material exposure to foreign currency risk because of the relative stability of the Canadian dollar in relation to the U.S. dollar. A 10% adverse change in foreign currency exchange rates would not have a material effect on our consolidated results of operations, financial position, or cash flows.

INTEREST RATE RISK

The primary objective of our investment policy is the protection of principal, and accordingly we invest in high-grade commercial paper and U.S. government treasury bills with varying maturities, but typically less than 90 days. External independent fund administrators manage our investments. As it is our intent and policy to hold these investments until maturity, we do not have a material exposure to interest rate risk. Therefore, a 100 basis-point adverse change in interest rates would not have a material effect on our investment portfolio.

We are exposed to interest rate risk on borrowings from our Credit Facility. The Credit Facility bears interest based on LIBOR, U.S. dollar base rate, Canadian dollar prime rate, or Canadian dollar Bankers' Acceptances. Based on projected advances under the Credit Facility, a 100 basis-point adverse change in interest rates would increase interest expense by approximately \$2 million on an annual basis. This risk is mitigated by our ability, at our option, to lock in a rate of interest for a period of up to one year.

The interest rate on our Debentures is fixed and therefore not subject to

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interest rate risk. Likewise, the imputed rate of interest used to discount our long-term obligations to Aventis and Elan is fixed and therefore not subject to interest rate risk.

EQUITY MARKET PRICE RISK

We are exposed to equity market price risks on our long-term, available-for-sale investments in traded companies. We do not hold significant investments in these types of securities, and therefore our equity market price risk is not material. Therefore, a 10% adverse change in equity market prices would not have a material effect on our financial position.

FORWARD LOOKING STATEMENTS

To the extent any statements made in this document contain information that is not historical, these statements are essentially forward looking and are subject to risks and uncertainties, including the difficulty of predicting FDA approvals, acceptance and demand for new pharmaceutical products, the impact of competitive products and pricing, new product development and launch, reliance on key strategic alliances, availability of raw materials, the regulatory environment, fluctuations in operating results and other risks. Many risks and uncertainties are inherent in the pharmaceutical industry; others are more specific to our business. Many of the significant risks related to our business are described in Item 1 of our Form 20-F filing with the SEC.

15

BIOVAIL CORPORATION PART II -- OTHER INFORMATION

1. OPERATIONAL INFORMATION

The press releases issued by the Company subsequent to filing of Form 6-K on November 27, 2000 were as follows:

- a) On December 5, 2000, the Company announced it had received final approval from the FDA for Adalat CC 60mg.
- b) On January 2, 2001, the Company announced the acquisition of the Cardizem-Registered Trademark- product line from Aventis Pharmaceuticals Inc.
- c) On January 3, 2001, the Company announced the filing of ANDA's for generic versions of Adalat CC 90mg, Procardia XL 90mg and Tegretol 400mg.
- d) On January 30, 2001, the Company confirmed that a new patent covering Tiazac-Registered Trademark- had been listed in the FDA Orange Book.
- e) On February 7, 2001, the Company announced it had received final approval from the FDA for Procardia XL 30mg.
- f) On February 14, 2001, the Company confirmed the docket posting of the new Tiazac-Registered Trademark- patent in the FDA Orange Book.
- g) On February 28, 2001, the Company announced record fourth quarter and year-end 2000 financial results.
- h) On March 7, 2001, the Company commented on the Florida court hearing.
- i) On April 6, 2001, the Company announced that a federal court in Georgia has dismissed a patent infringement lawsuit filed by Bayer AG.

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- j) On April 26, 2001, the Company announced record first quarter 2001 financial results.
- k) On May 11, 2001, the Company announced that it had been included in the Toronto Stock Exchange (TSE) 35 Index.

2. LEGAL PROCEEDINGS

For detailed information concerning legal proceedings, reference is made to Item 8.A. of the Company's Annual Report on Form 20-F for the year ended December 31, 2000.

3. MATERIAL ISSUED TO SHAREHOLDERS

The material issued by the Company to shareholders are attached as the following exhibits:

Exhibit 99.1 First Quarter 2001 Interim Report for Canadian Regulatory Purposes

Exhibit 99.2 Interim Report 2001 -- First Quarter Report to Shareholders

16

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIOVAIL CORPORATION

By: /s/ JOHN R. MISZUK

John R. Miszuk
VICE PRESIDENT, CONTROLLER

May 30, 2001

17