

Edwards Lifesciences Corp  
Form 10-Q  
November 08, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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, 2010**

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 1-15525**

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**EDWARDS LIFESCIENCES CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**36-4316614**

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

**One Edwards Way, Irvine, California**

(Address of principal executive offices)

**92614**

(Zip Code)

**(949) 250-2500**

(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 ☐

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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	Accelerated filer	Non-accelerated filer	Smaller Reporting
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> (Do not check if a smaller reporting company)	Company <input type="checkbox"/>

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 outstanding of the registrant's common stock, \$1.00 par value, as of October 31, 2010 was 114,178,665.

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**EDWARDS LIFESCIENCES CORPORATION**  
**FORM 10-Q**  
**For the quarterly period ended September 30, 2010**

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**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

(in millions, except par value; unaudited)

	September 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 361.0	\$ 334.1
Accounts and other receivables, net of allowances of \$11.4 and \$12.4, respectively	303.4	272.1
Inventories, net	212.2	165.9
Deferred income taxes	44.2	48.3
Prepaid expenses	45.0	33.7
Other current assets	26.6	35.1
Total current assets	992.4	889.2
Property, plant and equipment, net	260.3	252.0
Goodwill	315.2	315.2
Other intangible assets, net	71.7	86.7
Investments in unconsolidated affiliates (Note 6)	22.3	22.3
Deferred income taxes	51.4	37.1
Other assets	12.1	13.0
	\$ 1,725.4	\$ 1,615.5
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 281.6	\$ 290.5
Short-term debt	100.6	
Total current liabilities	382.2	290.5
Long-term debt		90.3
Other long-term liabilities	109.7	76.8
Commitments and contingencies (Note 11)		
<b>Stockholders' equity (Note 1)</b>		
Preferred stock, \$.01 par value, authorized 50.0 shares, no shares outstanding	116.1	76.1

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Common stock, \$1.00 par value, 350.0 shares authorized, 116.1 and 76.1 shares issued, and 114.1 and 56.8 shares outstanding, respectively		
Additional paid-in capital	184.4	1,056.0
Retained earnings	1,059.2	906.0
Accumulated other comprehensive loss	(24.2)	(7.9)
Treasury stock, at cost, 2.0 and 19.3 shares, respectively	(102.0)	(872.3)
 Total stockholders' equity	 1,233.5	 1,157.9
	\$ 1,725.4	\$ 1,615.5

*The accompanying notes are an integral part of these  
consolidated condensed financial statements.*

Table of Contents**EDWARDS LIFESCIENCES CORPORATION****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

(in millions, except per share information; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales	\$ 348.9	\$ 325.7	\$ 1,054.6	\$ 974.7
Cost of goods sold	95.8	98.5	294.8	297.4
Gross profit	253.1	227.2	759.8	677.3
Selling, general and administrative expenses	133.0	126.1	407.6	376.5
Research and development expenses	52.7	44.7	148.5	127.2
Special charges (gains), net (Note 2)	3.9	(38.2)	12.2	(67.5)
Interest expense, net	0.4	0.6	1.1	0.9
Other income, net	(3.1)	(0.2)	(7.7)	(1.8)
Income before provision for income taxes	66.2	94.2	198.1	242.0
Provision for income taxes	18.2	20.7	44.9	60.5
Net income	\$ 48.0	\$ 73.5	\$ 153.2	\$ 181.5

**Share information**

(Notes 1 and 13)

Earnings per share:				
Basic	\$ 0.42	\$ 0.65	\$ 1.35	\$ 1.62
Diluted	\$ 0.40	\$ 0.63	\$ 1.29	\$ 1.55
Weighted-average number of common shares outstanding:				
Basic	113.6	112.7	113.4	112.3
Diluted	118.9	117.5	118.9	117.1

*The accompanying notes are an integral part of these  
consolidated condensed financial statements.*

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**EDWARDS LIFESCIENCES CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(in millions; unaudited)

	Nine Months Ended September 30,	
	2010	2009
<b>Cash flows from operating activities</b>		
Net income	\$ 153.2	\$ 181.5
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	41.1	44.5
Stock-based compensation (Note 10)	22.4	20.5
Excess tax benefit from stock plans	(42.0)	(12.9)
Deferred income taxes	(6.8)	(4.3)
Special charges (gains), net (Note 2)	12.2	(79.2)
Gain on trading securities	(1.5)	(2.6)
Gain on investments	(0.2)	(0.1)
Other	(3.6)	3.1
Changes in operating assets and liabilities:		
Accounts and other receivables, net (Note 3)	(31.8)	(52.1)
Inventories, net	(43.5)	(13.9)
Accounts payable and accrued liabilities	65.2	6.4
Prepaid expenses and other current assets	(11.7)	(4.0)
Other	4.4	12.5
Net cash provided by operating activities	157.4	99.4
<b>Cash flows from investing activities</b>		
Capital expenditures	(40.1)	(40.3)
Proceeds from sale of assets	5.1	92.4
Investments in unconsolidated affiliates, net	(1.9)	(4.0)
Investments in intangible assets	(1.2)	
Investments in trading securities, net	(0.3)	(1.1)
Proceeds from investments		9.0
Net cash (used in) provided by investing activities	(38.4)	56.0
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt	216.8	129.3
Payments on debt	(207.6)	(202.2)
Purchases of treasury stock	(200.0)	(79.6)
Proceeds from stock plans	73.8	43.9
Excess tax benefit from stock plans	42.0	12.9
Other	(2.3)	
Net cash used in financing activities	(77.3)	(95.7)
Effect of currency exchange rate changes on cash and cash equivalents	(14.8)	9.2
Net increase in cash and cash equivalents	26.9	68.9
Cash and cash equivalents at beginning of period	334.1	