

BIOGEN IDEC INC.
Form 10-Q
October 21, 2009

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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 September 30, 2009
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 0-19311

BIOGEN IDEC INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

33-0112644

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

14 Cambridge Center, Cambridge, MA 02142

(617) 679-2000

*(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)*

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):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

The number of shares of the issuer's Common Stock, \$0.0005 par value, outstanding as of October 14, 2009, was 289,198,517 shares.

BIOGEN IDEC INC.

**FORM 10-Q Quarterly Report
For the Quarterly Period Ended September 30, 2009**

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BIOGEN IDEC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands, except per share amounts)

	For the Three Months Ended September 30, 2009		For the Nine Months Ended September 30, 2009	
	2009	2008	2009	2008
Revenues:				
Product	\$ 801,689	\$ 758,260	\$ 2,326,067	\$ 2,107,816
Unconsolidated joint business	283,919	298,979	838,307	825,024
Other revenues	34,910	35,725	85,918	95,754
Total revenues	1,120,518	1,092,964	3,250,292	3,028,594
Costs and expenses:				
Cost of sales, excluding amortization of acquired intangible assets	93,486	107,493	282,404	300,828
Research and development	304,055	268,800	999,986	779,291
Selling, general and administrative	226,755	232,824	669,415	694,342
Collaboration profit sharing	60,697	43,533	152,608	98,368
Amortization of acquired intangible assets	51,347	94,464	233,830	242,114
Acquired in-process research and development				25,000
Total costs and expenses	736,340	747,114	2,338,243	2,139,943
Income from operations	384,178	345,850	912,049	888,651
Other income (expense), net	9,360	(23,713)	30,886	(24,651)
Income before income tax expense	393,538	322,137	942,935	864,000
Income tax expense	113,936	114,337	271,869	282,320
Net income	279,602	207,800	671,066	581,680
Net income attributable to noncontrolling interest, net of tax	1,939	1,012	6,571	5,167
Net income attributable to Biogen Idec Inc.	\$ 277,663	\$ 206,788	\$ 664,495	\$ 576,513
Basic earnings per share attributable to Biogen Idec Inc.				
	\$ 0.96	\$ 0.71	\$ 2.30	\$ 1.97
Diluted earnings per share attributable to Biogen Idec Inc.				
	\$ 0.95	\$ 0.70	\$ 2.28	\$ 1.95

Weighted-average shares used in calculating:

Basic earnings per share attributable to

Biogen Idec Inc.

288,917

291,408

288,416

292,613

Diluted earnings per share attributable to

Biogen Idec Inc.

291,037

293,921

290,368

295,515

See accompanying notes to these unaudited consolidated financial statements.

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BIOGEN IDEC INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except per share amounts)

	As of September 30, 2009	As of December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 585,788	\$ 622,385
Marketable securities	821,888	719,586
Collateral received for loaned securities		29,991
Accounts receivable, net	550,995	446,665
Due from unconsolidated joint business	193,279	206,925
Loaned securities		29,446
Inventory	278,686	263,602
Other current assets	141,623	139,400
Total current assets	2,572,259	2,458,000
Marketable securities	1,497,447	891,406
Property, plant and equipment, net	1,634,696	1,594,754
Intangible assets, net	1,927,115	2,161,058
Goodwill	1,138,621	1,138,621
Investments and other assets	256,299	235,152
Total assets	\$ 9,026,437	\$ 8,478,991
LIABILITIES AND EQUITY		
Current liabilities:		
Collateral payable on loaned securities	\$	\$ 29,991
Accounts payable	108,547	107,417
Taxes payable	59,961	223,260
Accrued expenses and other	537,408	534,887
Current portion of notes payable and line of credit	15,452	27,667
Total current liabilities	721,368	923,222
Notes payable and line of credit	1,085,844	1,085,431
Long-term deferred tax liability	289,654	356,017
Other long-term liabilities	331,761	280,369
Total liabilities	2,428,627	2,645,039
Commitments and contingencies (Notes 12, 14 and 15)		
Equity:		

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Preferred stock, par value \$0.001 per share		
Common stock, par value \$0.0005 per share	149	149
Additional paid-in capital	6,184,315	6,073,957
Accumulated other comprehensive income (loss)	37,114	(11,106)
Retained earnings	781,321	270,180
Treasury stock, at cost	(438,710)	(527,097)
Total Biogen Idec Inc. shareholders' equity	6,564,189	5,806,083
Noncontrolling interest	33,621	27,869
Total equity	6,597,810	5,833,952
Total liabilities and equity	\$ 9,026,437	\$ 8,478,991

See accompanying notes to these unaudited consolidated financial statements.

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BIOGEN IDEC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	For the Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 671,066	\$ 581,680
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization of property, plant and equipment and intangible assets	334,761	340,042
Acquired in-process research and development		25,000
Share-based compensation	119,902	104,339
Non-cash interest (income) expense and foreign exchange remeasurement loss (gain), net	(12,861)	(11,288)
Deferred income taxes	(72,580)	(57,591)
Realized loss (gain) on sale of marketable securities and strategic investments	(17,185)	3,774
Write-down of inventory to net realizable value	13,431	22,472
Impairment of marketable securities, investments and other assets	9,866	31,502
Excess tax benefit from stock options	(3,194)	(27,424)
Changes in operating assets and liabilities, net:		
Accounts receivable	(96,215)	(95,337)
Due from unconsolidated joint business	13,646	(29,856)
Inventory	(25,195)	(34,376)
Other assets	8,555	24,898
Accrued expenses and other current liabilities	(40,565)	155,437
Other liabilities and taxes payable	(110,706)	121,928
 Net cash flows provided by operating activities	 792,726	 1,155,200
Cash flows from investing activities:		
Purchases of marketable securities	(3,001,156)	(1,801,056)
Proceeds from sales and maturities of marketable securities	2,334,093	2,135,065
Collateral received under securities leading	29,991	30,080
Acquisitions, net of cash acquired		(25,000)
Purchases of property, plant and equipment	(110,129)	(221,961)
Proceeds from the sale of property, plant and equipment		16
Purchases of other investments	(36,519)	(17,260)
Proceeds from the sale of a strategic equity investment	6,067	
 Net cash flows (used in) provided by investing activities	 (777,653)	 99,884
Cash flows from financing activities:		
Purchase of treasury stock	(57,631)	(559,767)
Proceeds from issuance of stock for share-based compensation arrangements	33,236	167,032
Change in cash overdraft	7,497	18,052

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Excess tax benefit from stock options	3,194	27,424
Proceeds from borrowings		986,980
Repayment of borrowings	(10,867)	(1,512,474)
Obligation under securities lending	(29,991)	(30,080)
Net cash flows used in financing activities	(54,562)	(902,833)
Net (decrease) increase in cash and cash equivalents	(39,489)	352,251
Effect of exchange rate changes on cash and cash equivalents	2,892	(1,212)
Cash and cash equivalents, beginning of the period	622,385	659,662
Cash and cash equivalents, end of the period	\$ 585,788	\$ 1,010,701

See accompanying notes to these unaudited consolidated financial statements.

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BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Business Overview

Overview

Biogen Idec Inc. (Biogen Idec, we, us or the Company) is a global biotechnology company that creates new standards of care in therapeutic areas with high unmet medical needs. We currently have four marketed products: AVONEX®, RITUXAN®, TYSABRI®, and FUMADERM™. Our marketed products are used for the treatment of multiple sclerosis, or MS, non-Hodgkin's lymphoma, or NHL, rheumatoid arthritis, or RA, Crohn's disease and psoriasis.

Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting of only normal recurring accruals, necessary for a fair statement of our financial position, results of operations and cash flows. The information included in this quarterly report on Form 10-Q should be read in conjunction with our consolidated financial statements and the accompanying notes included in our annual report on Form 10-K for the year ended December 31, 2008. Our accounting policies are described in Notes to Consolidated Financial Statements in our 2008 annual report on Form 10-K and updated, as necessary, in this Form 10-Q. The year-end consolidated balance sheet data presented for comparative purposes was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. The results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

In June 2009, the Financial Accounting Standards Board, or FASB, issued the FASB Accounting Standards Codification, or Codification. Effective this quarter, the Codification became the single source for all authoritative generally accepted accounting principles, or GAAP, recognized by the FASB and is required to be applied to financial statements issued for interim and annual periods ending after September 15, 2009. The Codification does not change GAAP and did not impact our financial position or results of operations.

Effective January 1, 2009, we adopted a newly issued accounting standard for noncontrolling interests. In accordance with the accounting standard, we changed the accounting and reporting for our minority interests (now called noncontrolling interest) in our consolidated financial statements. Upon adoption, certain prior period amounts have been reclassified to conform to the current period financial statement presentation. These reclassifications did not have a material impact on our previously reported financial position or results of operations. Refer to Note 9, *Equity*, and Note 13, *Other Income (Expense), Net*, of this Form 10-Q for additional information on the adoption of this standard.

Principles of Consolidation

The consolidated financial statements reflect our financial statements, those of our wholly-owned subsidiaries and of our joint ventures in Italy and Switzerland, Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, respectively. We consolidate variable interest entities in which we are the primary beneficiary. For such consolidated entities in which we own less than a 100% interest, we record net income attributable to noncontrolling interest (minority interest) in our consolidated statements of income equal to the percentage of ownership of the respective noncontrolling owners. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States requires our management to make estimates and judgments that may affect the

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BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition and related allowances, marketable securities, derivatives and hedging activities, inventory, impairments of long-lived assets including intangible assets, impairments of goodwill, income taxes including the valuation allowance for deferred tax assets, valuation of investments, research and development expenses, contingencies and litigation, and share-based payments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Subsequent Events