

CHARLES RIVER LABORATORIES INTERNATIONAL INC
Form 10-Q
November 02, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 24, 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 001-15943

**CHARLES RIVER LABORATORIES
INTERNATIONAL, INC.**

(Exact Name of Registrant as specified in its Charter)

DELAWARE **06-1397316**
(State of Incorporation) (I.R.S. Employer Identification No.)

251 BALLARDVALE STREET, WILMINGTON, MASSACHUSETTS 01887

(Address of Principal Executive Offices) (Zip Code)

781-222-6000

(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 (§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

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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 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

As of October 17, 2011, there were 49,440,569 shares of the registrant's common stock outstanding.

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

FORM 10-Q

For the Quarterly Period Ended September 24, 2011

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Special Note on Factors Affecting Future Results

This Quarterly Report on Form 10-Q contains forward-looking statements regarding future events and the future results of Charles River Laboratories International, Inc. (Charles River) that are based on current expectations, estimates, forecasts, and projections about the industries in which Charles River operates and the beliefs and assumptions of our management. Words such as "expect," "anticipate," "target," "goal," "project," "intend," "plan," "believe," "seek," "estimate," "will," "likely," "may," "designed," "would," "future," "can," "could" and other similar expressions that are predictions of or indicate future events and trends or which do not relate to historical matters are intended to identify such forward-looking statements. These statements are based on current expectations and beliefs of Charles River and involve a number of risks, uncertainties, and assumptions that are difficult to predict. For example, we may use forward-looking statements when addressing topics such as: the pursuit of our initiatives to optimize returns for stockholders, including efforts to improve our operating margins, including the impact of our headcount reductions in the fourth quarter of 2011, improve free cash flow, invest in growth businesses and return value to shareholders; future demand for drug discovery and development products and services, including the outsourcing of these services and spending trends by our customers; our expectations regarding stock repurchases; present spending trends and other cost reduction activities by our customers; future actions by our management; the outcome of contingencies; changes in our business strategy; changes in our business practices and methods of generating revenue; the development and performance of our services and products; market and industry conditions, including competitive and pricing trends; changes in the composition or level of our revenues; our cost structure; the impact of acquisitions and dispositions; our expectations with respect to sales growth and operating synergies (including the impact of specific actions intended to cause related improvements); the impact of specific actions intended to improve overall operating efficiencies and profitability (and our ability to accommodate future demand with our infrastructure); changes in our expectations regarding future stock option, restricted stock, and other equity grants to employees and directors; expectations with respect to foreign currency exchange; assessing (or changing our assessment of) our tax positions for financial statement purposes; and our cash flow and liquidity. In addition, these statements include the impact of economic and market conditions on our customers; the effects of our cost-saving actions and the steps to optimize returns to shareholders on an effective and timely basis and the ability of Charles River to withstand the current market conditions. You should not rely on forward-looking statements because they are predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document or in the case of statements incorporated by reference, on the date of the document incorporated by reference. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 25, 2010 under the section entitled "Our Strategy," the section entitled "Risks Related to Our Business and Industry," the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our press releases and other financial filings with the Securities and Exchange Commission. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or risks. New information, future events or risks may cause the forward-looking events we discuss in this report not to occur.

Table of Contents**Part I. Financial Information****Item 1. Financial Statements****CHARLES RIVER LABORATORIES INTERNATIONAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****(dollars in thousands, except per share amounts)**

	Three Months Ended	
	September 24, 2011	September 25, 2010
Net sales related to products	\$ 116,932	\$ 108,684
Net sales related to services	160,647	162,201
Total net sales	277,579	270,885
Costs and expenses		
Cost of products sold	66,368	62,176
Cost of services provided	118,495	118,209
Selling, general and administrative	50,345	48,005
Termination fee		30,000
Amortization of intangibles	5,277	6,027
Operating income	37,094	6,468
Other income (expense)		
Interest income	138	243
Interest expense	(11,944)	(12,641)
Other, net	(747)	(1,648)
Income from continuing operations before income taxes	24,541	(7,578)
Provision for income taxes	5,630	16,670
Income (loss) from continuing operations, net of tax	18,911	(24,248)
Loss from discontinued operations, net of tax	(18)	(986)
Net income (loss)	18,893	(25,234)
Less: Net (income) loss attributable to noncontrolling interests	(95)	293
Net income (loss) attributable to common shareowners	\$ 18,798	\$ (24,941)
Earnings (loss) per common share:		
Basic:		
Continuing operations	\$ 0.38	\$ (0.38)
Discontinued operations		(0.02)
Net income (loss) attributable to common shareowners	\$ 0.38	\$ (0.40)
Diluted:		
Continuing operations	\$ 0.37	\$ (0.38)
Discontinued operations		(0.02)
Net income (loss) attributable to common shareowners	\$ 0.37	\$ (0.40)

See Notes to Condensed Consolidated Interim Financial Statements

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(dollars in thousands, except per share amounts)

	Nine Months Ended	
	September 24, 2011	September 25, 2010
Net sales related to products	\$ 361,069	\$ 345,068
Net sales related to services	490,616	506,696
Total net sales	851,685	851,764
Costs and expenses		
Cost of products sold	197,405	188,553
Cost of services provided	352,606	371,756
Selling, general and administrative	152,561	176,562
Termination fee		30,000
Amortization of intangibles	16,454	18,246
Operating income	132,659	66,647
Other income (expense)		
Interest income	1,060	857
Interest expense	(32,619)	(25,753)
Other, net	(1,092)	(2,850)
Income from continuing operations before income taxes	100,008	38,901
Provision for income taxes	11,564	30,577
Income from continuing operations, net of tax	88,444	8,324
Loss from discontinued operations, net of tax	(5,695)	(2,463)
Net income	82,749	5,861
Less: Net (income) loss attributable to noncontrolling interests	(298)	1,034
Net income attributable to common shareowners	\$ 82,451	\$ 6,895
Earnings (loss) per common share:		
Basic:		
Continuing operations	\$ 1.71	\$ 0.15
Discontinued operations	(0.11)	(0.04)
Net income attributable to common shareowners	\$ 1.60	\$ 0.11
Diluted:		
Continuing operations	\$ 1.69	\$ 0.14
Discontinued operations	(0.11)	(0.04)
Net income attributable to common shareowners	\$ 1.58	\$ 0.11

See Notes to Condensed Consolidated Interim Financial Statements

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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(dollars in thousands, except per share amounts)

	September 24, 2011	December 25, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 81,220	\$ 179,160
Trade receivables, net	202,379	192,972
Inventories	94,391	100,297
Other current assets	78,339	80,465
Total current assets	456,329	552,894
Property, plant and equipment, net	728,887	752,657
Goodwill, net	199,799	198,438
Other intangibles, net	105,941	121,236
Deferred tax asset	37,364	45,003
Other assets	57,053	63,145
Total assets	\$ 1,585,373	\$ 1,733,373
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt and capital leases	\$ 19,838	\$ 30,582
Accounts payable	34,622	30,627
Accrued compensation	44,139	48,918
Deferred revenue	54,570	66,905
Accrued liabilities	56,565	59,369
Other current liabilities	14,108	23,379
Total current liabilities	223,842	259,780
Long-term debt and capital leases	720,483	670,270
Other long-term liabilities	99,679	114,596
Total liabilities	1,044,004	1,044,646
Commitments and contingencies		
Shareowners' equity		
Preferred stock, \$0.01 par value; 20,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$0.01 par value; 120,000,000 shares authorized; 78,477,546 issued and 49,723,708 shares outstanding at September 24, 2011 and 77,531,056 issued and 56,441,081 shares outstanding at December 25, 2010	785	775