

UNITED THERAPEUTICS CORP

Form 10-Q

May 01, 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 March 31, 2009

OR

- o **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 0-26301

United Therapeutics Corporation

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

1110 Spring Street, Silver Spring, MD
(Address of Principal Executive Offices)

52-1984749
(I.R.S. Employer
Identification No.)

20910
(Zip Code)

(301) 608-9292

(Registrant's Telephone Number, Including Area Code)

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(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a 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

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The number of shares outstanding of the issuer's common stock, par value \$.01 per share, as of April 24, 2009 was 26,451,577.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

UNITED THERAPEUTICS CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	March 31, 2009 (Unaudited)	December 31, 2008 (As Adjusted)(1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 98,848	\$ 129,452
Marketable investments	86,945	106,596
Accounts receivable, net of allowance of none for 2009 and 2008	49,410	28,311
Other receivable	2,597	2,289
Prepaid expenses	9,989	11,600
Inventories, net	15,106	14,372
Deferred tax assets	4,466	4,827
Total current assets	267,361	297,447
Marketable investments	133,572	100,270
Marketable investments and cash restricted	45,945	45,755
Goodwill and other intangibles, net	7,800	7,838
Property, plant, and equipment, net	255,592	222,717
Deferred tax assets	170,956	177,659
Other assets (\$8,177 and \$7,685 for 2009 and 2008, measured under the fair value option)	21,587	21,667
Total assets	\$ 902,813	\$ 873,353
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 10,512	\$ 20,334
Accrued expenses	25,641	20,853
Other current liabilities	23,608	16,251
Total current liabilities	59,761	57,438
Notes payable	209,235	205,691
Lease obligation	29,524	29,261
Other liabilities	16,129	15,673
Total liabilities	314,649	308,063
Commitments and contingencies:		
Common stock subject to repurchase	10,882	10,882
Stockholders equity:		
Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued		
Series A junior participating preferred stock, par value \$.01, 100,000 authorized, no shares issued		
Common stock, par value \$.01, 100,000,000 shares authorized, 27,682,372 and 27,662,151 shares issued at March 31, 2009, and December 31, 2008, respectively, and 26,451,577 and 26,431,356 outstanding at March 31, 2009, and December 31, 2008, respectively	277	276
Additional paid-in capital	730,985	720,414
Accumulated other comprehensive (loss) income	(6,808)	(5,913)
Treasury stock at cost, 1,230,795 shares at March 31, 2009 and December 31, 2008	(67,395)	(67,395)
Accumulated deficit	(79,777)	(92,974)
Total stockholders equity	577,282	554,408
Total liabilities and stockholders equity	\$ 902,813	\$ 873,353

See accompanying notes to consolidated financial statements.

(1) Adjusted for the retrospective adoption of Financial Accounting Standards Board (FASB) Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1). See Note 8: *Debt Adoption of FSP APB 14-1*.

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UNITED THERAPEUTICS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

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	Three Months Ended March 31,	
	2009	2008 (as adjusted)(1)
	(Unaudited)	
Revenues:		
Net product sales	\$ 76,858	\$ 59,153
Service sales	2,530	2,227
License fees	342	667
Total revenues	79,730	62,047
Operating expenses:		
Research and development	20,959	21,076
Selling, general and administrative	29,218	19,331
Cost of product sales	8,066	6,175
Cost of service sales	920	711
Total operating expenses	59,163	47,293
Income from operations	20,567	14,754
Other income (expense):		
Interest income	1,721	3,716
Interest expense	(2,637)	(2,792)
Equity loss in affiliate	(19)	(113)
Other, net	364	(292)
Total other income (expense), net	(571)	519
Income before income tax	19,996	15,273
Income tax expense	(6,799)	(5,337)
Net income	\$ 13,197	\$ 9,936
Net income per common share:		
Basic	\$ 0.50	\$ 0.44
Diluted	\$ 0.49	\$ 0.41
Weighted average number of common shares outstanding:		
Basic	26,440	22,333
Diluted	27,152	24,076

See accompanying notes to consolidated financial statements.

(1) Adjusted for the retrospective adoption of FSP APB 14-1. See Note 8: Debt Adoption of FSP APB 14-1.

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UNITED THERAPEUTICS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

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	Three Months Ended March 31,	
	2009	2008 (as adjusted)(1)
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 13,197	\$ 9,936
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,765	974
Provision for bad debt and inventory obsolescence	355	1,622
Deferred tax benefit	6,799	5,337
Share-based compensation	14,055	6,891
Amortization of debt discount and debt issue costs	4,140	3,574
Amortization of discount or premium on investments	252	(635)
Equity loss in affiliate and other	(339)	230
Excess tax benefits from share-based compensation	(187)	(4,283)
Changes in operating assets and liabilities:		
Restrictions on cash	(2,735)	(534)
Accounts receivable	(23,508)	(1,704)
Inventories	(3,353)	(1,444)
Prepaid expenses	1,609	(282)
Other assets	135	(136)
Accounts payable	(9,798)	8,338
Accrued expenses	4,491	594
Other liabilities	(5,576)	6,624
Net cash provided by operating activities	1,302	35,102
Cash flows from investing activities:		
Purchases of property, plant and equipment	(21,271)	(13,193)
Purchases of held-to-maturity investments	(77,733)	(60,332)
Purchases of available-for-sale investments		(24,600)
Sales of available-for-sale investments		36,850
Maturities of held-to-maturity investments	66,170	51,745
Net cash (used) by investing activities	(32,834)	(9,530)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	856	8,566
Excess tax benefits from stock-based compensation	187	4,283
Principal payments on debt		(25)
Net cash provided by financing activities	1,043	12,824
Effect of exchange rate changes on cash and cash equivalents	(115)	(73)
Net increase in cash and cash equivalents	(30,604)	38,323
Cash and cash equivalents, beginning of period	129,452	139,323
Cash and cash equivalents, end of period	\$ 98,848	\$ 177,646
Supplemental schedule of cash flow information:		
Cash paid for interest	\$ 5	\$
Cash paid for income taxes	\$ 1,398	\$

See accompanying notes to consolidated financial statements.

(1) Adjusted for the retrospective adoption of FSP APB 14-1. See Note 8: Debt Adoption of FSP APB 14-1.

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UNITED THERAPEUTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009
(UNAUDITED)

1. Organization and Business Description

United Therapeutics Corporation is a biotechnology company focused on the development and commercialization of unique products to address the unmet medical needs of patients with chronic and life-threatening cardiovascular and infectious diseases and cancer. We were incorporated in 1996 under the laws of the State of Delaware and have the following wholly-owned subsidiaries: Lung Rx, Inc., Unither Pharmaceuticals, Inc., Unither Telmed, Ltd., Unither.com, Inc., United Therapeutics Europe, Ltd., Unither Therapeutik GmbH, Unither Pharma, Inc., Medicomp, Inc., Unither Neurosciences, Inc., LungRx Limited, Unither Biotech Inc., and Unither Virology, LLC. As used in these notes to the consolidated financial statements, unless the context otherwise requires, the terms we, us, our, and similar terms refer to United Therapeutics Corporation and its consolidated subsidiaries.

Our lead product is Remodulin® (treprostinil sodium) Injection (Remodulin). Remodulin was first approved in 2002 by the United States Food and Drug Administration (FDA) for use as a continuous subcutaneous infusion for the treatment of pulmonary arterial hypertension (PAH). Since 2002, the FDA has expanded its approval of Remodulin for intravenous use and for the treatment of patients who require transition from Flolan®. Remodulin is also approved for use in countries outside of the United States, predominantly for subcutaneous administration.

We have generated pharmaceutical revenues from sales of Remodulin and license fees in the United States, Canada, the European Union (EU), South America and Asia. In addition, we have generated non-pharmaceutical revenues from telemedicine products and services in the United States.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (SEC) for interim financial information. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles (GAAP) for complete financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC on February 26, 2009. The financial statements of the prior periods presented in this Quarterly Report on Form 10-Q have been adjusted for the retrospective adoption of FSP APB 14-1 on January 1, 2009. See Note 8 to these consolidated financial statements for further discussion.

In our management's opinion, the accompanying consolidated financial statements contain all adjustments, including normal recurring adjustments, necessary to fairly present our financial position as of March 31, 2009, and our results of operations and cash flows for the three months ended March 31, 2009 and 2008. Interim results are not necessarily indicative of results for an entire year.

3. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (current replacement cost) and consist of the following, net of reserves (in thousands):

March 31,
2009

December 31,
2008
