

BIOGEN IDEC INC.
Form 10-Q
October 26, 2010

Table of Contents

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, 2010
- 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.)*

133 Boston Post Road, Weston, MA 02493
(781) 464-2000

*(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 22, 2010, was 238,302,269 shares.

BIOGEN IDEC INC.

**FORM 10-Q Quarterly Report
For the Quarterly Period Ended September 30, 2010**

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements (unaudited)	
Consolidated Statements of Income For the Three and Nine Months Ended September 30, 2010 and 2009	4
Consolidated Balance Sheets As of September 30, 2010 and December 31, 2009	5
Consolidated Statements of Cash Flows For the Nine Months Ended September 30, 2010 and 2009	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 3. Quantitative and Qualitative Disclosures About Market Risk	59
Item 4. Controls and Procedures	59
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	59
Item 1A. Risk Factors	59
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	70
Item 6. Exhibits	70
Signatures	71
<u>EX-3.1</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

Table of Contents

NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains forward-looking statements that are based on our current beliefs and expectations. These forward-looking statements do not relate strictly to historical or current facts and they may be accompanied by such words as anticipate, believe, estimate, expect, forecast, intend, may, plan, words and terms of similar meaning. Reference is made in particular to forward-looking statements regarding:

the anticipated level, mix and timing of future product sales, royalty revenues or obligations, milestone payments, expenses, liabilities, contractual obligations, currency hedges, effective tax rate and amortization of intangible assets;

the growth trends for TYSABRI and our ability to improve the benefit-risk profile of TYSABRI;

the assumed remaining life of the core technology relating to AVONEX and expected lifetime revenue of AVONEX;

the incidence, timing, outcome and impact of litigation, proceedings related to patents and other intellectual property rights, tax audits and assessments and other legal proceedings;

the timing and impact of accounting standards;

the impact of healthcare reform and other measures designed to reduce healthcare costs;

the impact of the global macroeconomic environment and the deterioration of the credit and economic conditions in Europe;

our ability to finance our operations and business initiatives and obtain funding for such activities;

the status, intended use and financial impact of our manufacturing facilities and other properties; and

the drivers for growing our business, including our plans to pursue external business development and research opportunities, and the impact of competition.

These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements, including those discussed in the Risk Factors section of this report and elsewhere in this report. You should not place undue reliance on these statements. Forward-looking statements, like all statements in this report, speak only as of the date of this report, unless another date is indicated. Unless required by law, we do not undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

REFERENCES

Throughout this report, Biogen Idec, the Company, we, us and our refer to Biogen Idec Inc. and its consolidated subsidiaries. References to RITUXAN refer to both RITUXAN (the trade name for rituximab in the U.S., Canada and Japan) and MabThera (the trade name for rituximab outside the U.S., Canada and Japan), and ANGIOMAX refers to both ANGIOMAX (the trade name for bivalirudin in the U.S., Canada and Latin America) and ANGIOX (the trade name for bivalirudin in Europe).

AVONEX® and RITUXAN® are registered trademarks of Biogen Idec. FUMADERM™ is a common law trademark of Biogen Idec. TYSABRI® is a registered trademark of Elan Pharmaceuticals, Inc. The following are trademarks of the respective companies listed: ANGIOMAX® and ANGIOX® The Medicines Company; ARZERRA® Glaxo Group Limited; BETASERON® Bayer Schering Pharma AG; EXTAVIA® Novartis AG; and REBIF® Ares Trading, S.A.

Table of Contents**PART I FINANCIAL INFORMATION**

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Product	\$ 876,850	\$ 801,689	\$ 2,560,305	\$ 2,326,067
Unconsolidated joint business	257,981	283,919	819,281	838,307
Other	40,958	34,910	117,765	85,918
Total revenues	1,175,789	1,120,518	3,497,351	3,250,292
Costs and expenses:				
Cost of sales, excluding amortization of acquired intangible assets	95,918	93,486	299,958	282,404
Research and development	319,054	304,055	957,759	999,986
Selling, general and administrative	244,160	226,755	755,147	669,415
Collaboration profit sharing	63,991	60,697	190,240	152,608
Amortization of acquired intangible assets	53,531	51,347	155,568	233,830
Acquired in-process research and development	205,000		244,976	
Total costs and expenses	981,654	736,340	2,603,648	2,338,243
Income from operations	194,135	384,178	893,703	912,049
Other income (expense), net	(6,945)	9,360	(14,318)	30,886
Income before income tax expense	187,190	393,538	879,385	942,935
Income tax expense	75,011	113,936	252,564	271,869
Net income	112,179	279,602	626,821	671,066
Net income (loss) attributable to noncontrolling interest, net of tax	(141,936)	1,939	(138,174)	6,571
Net income attributable to Biogen Idec Inc.	\$ 254,115	\$ 277,663	\$ 764,995	\$ 664,495
Net income per share:				
Basic earnings per share attributable to Biogen Idec Inc.	\$ 1.06	\$ 0.96	\$ 2.98	\$ 2.30
Diluted earnings per share attributable to Biogen Idec Inc.	\$ 1.05	\$ 0.95	\$ 2.95	\$ 2.28

Weighted-average shares used in calculating:

Basic earnings per share attributable to Biogen Idec

Inc.	239,864	288,917	256,586	288,416
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Diluted earnings per share attributable to Biogen Idec

Inc.	242,313	291,037	258,906	290,368
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See accompanying notes to these unaudited consolidated financial statements

Table of Contents

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

	As of September 30, 2010	As of December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 626,757	\$ 581,889
Marketable securities	197,835	681,835
Accounts receivable, net	616,697	551,208
Due from unconsolidated joint business	221,618	193,789
Inventory	269,313	293,950
Other current assets	198,911	177,924
Total current assets	2,131,131	2,480,595
Marketable securities	560,006	1,194,080
Property, plant and equipment, net	1,641,791	1,637,083
Intangible assets, net	1,715,342	1,871,078
Goodwill	1,138,621	1,138,621
Investments and other assets	207,256	230,397
Total assets	\$ 7,394,147	\$ 8,551,854
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 143,699	\$ 118,534
Taxes payable	115,689	75,891
Accrued expenses and other	553,796	500,755
Current portion of notes payable and line of credit	11,296	19,762
Total current liabilities	824,480	714,942
Notes payable and line of credit	1,068,776	1,080,207
Long-term deferred tax liability	174,615	240,618
Other long-term liabilities	256,075	254,205
Total liabilities	2,323,946	2,289,972
Commitments and contingencies (Notes 9, 14, 16, 17 and 18)		
Shareholders' equity:		
Preferred stock, par value \$0.001 per share		
Common stock, par value \$0.0005 per share	124	144
Additional paid-in capital	3,855,690	5,781,920

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Accumulated other comprehensive income	(9,161)	50,496
Retained earnings	1,646,852	1,068,890
Treasury stock, at cost	(462,810)	(679,920)
Total Biogen Idec Inc. shareholders' equity	5,030,695	6,221,530
Noncontrolling interest	39,506	40,352
Total shareholders' equity	5,070,201	6,261,882
Total liabilities and shareholders' equity	\$ 7,394,147	\$ 8,551,854

See accompanying notes to these unaudited consolidated financial statements

Table of Contents

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

	For the Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 626,821	\$ 671,066
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization of property, plant and equipment and intangible assets	260,089	334,761
Acquired in-process research and development	271,376	
Share-based compensation	134,594	119,902
Non-cash interest (income) expense and foreign exchange remeasurement loss (gain), net	1,124	(12,861)
Deferred income taxes	(61,244)	(72,580)
Realized gain on sale of marketable securities and strategic investments	(16,113)	(17,185)
Write-down of inventory to net realizable value	9,918	13,431
Loss on disposal of property, plant and equipment, net	1,748	
Impairment of marketable securities, investments and other assets	19,319	9,866
Excess tax benefit from share-based compensation	(6,284)	(3,194)
Changes in operating assets and liabilities, net:		
Accounts receivable	(72,719)	(96,215)
Due from unconsolidated joint business	(27,829)	13,646
Inventory	16,311	(25,195)
Other assets	(22,435)	8,555
Accrued expenses and other current liabilities	17,377	(37,733)
Other liabilities and taxes payable	41,564	(110,706)
Net cash flows provided by operating activities	1,193,617	795,558
Cash flows from investing activities:		
Purchases of marketable securities	(1,371,769)	(3,001,156)
Proceeds from sales and maturities of marketable securities	2,490,363	2,334,093
Acquisitions	(39,976)	
Acquisition of a variable interest entity, net	(84,952)	
Purchases of property, plant and equipment	(124,220)	(110,129)
Purchases of other investments	(5,499)	(36,519)
Proceeds from the sale of a strategic equity investment		6,067
Collateral received under securities lending		29,991
Net cash flows provided by (used in) investing activities	863,947	(777,653)
Cash flows from financing activities:		
Purchases of treasury stock	(2,077,579)	(57,631)
Proceeds from issuance of stock for share-based compensation arrangements	80,447	33,236

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Change in cash overdraft	2,586	7,497
Net distributions to noncontrolling interest	(6,401)	(2,832)
Excess tax benefit from share-based compensation	6,284	3,194
Repayment of borrowings	(16,182)	(10,867)
Obligation under securities lending		(29,991)
Net cash flows used in financing activities	(2,010,845)	(57,394)
Net increase in cash and cash equivalents	46,719	(39,489)
Effect of exchange rate changes on cash and cash equivalents	(1,851)	2,892
Cash and cash equivalents, beginning of the period	581,889	622,385
Cash and cash equivalents, end of the period	\$ 626,757	\$ 585,788

See accompanying notes to these unaudited consolidated financial statements.

Table of Contents

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Overview

Biogen Idec is a global biotechnology company that discovers, develops, manufactures and commercializes innovative therapies for human health care. We currently have four marketed products: AVONEX, RITUXAN, TYSABRI, and FUMADERM. Our marketed products are used for the treatment of multiple sclerosis (MS), non-Hodgkin's lymphoma (NHL), rheumatoid arthritis (RA), Crohn's disease, chronic lymphocytic leukemia (CLL) and psoriasis.

Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States (U.S. GAAP). 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.