

CARDINAL HEALTH INC
Form 10-Q
November 04, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

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

For the quarterly period ended September 30, 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 1-11373

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

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Ohio
(State or other jurisdiction of
incorporation or organization)

31-0958666
(I.R.S. Employer
Identification No.)

7000 CARDINAL PLACE, DUBLIN, OHIO 43017
(Address of principal executive offices) (Zip code)

(614) 757-5000
(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

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 (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

The number of Registrant's Common Shares outstanding at the close of business on October 31, 2011 was as follows:

Common Shares, without par value: 345,505,982

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CARDINAL HEALTH, INC. AND SUBSIDIARIES

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* Items not listed are inapplicable.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1: Financial Statements****CARDINAL HEALTH, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS****(Unaudited)****(In millions, except per Common Share amounts)**

	Three Months Ended September 30,	
	2011	2010
Revenue	\$ 26,792.0	\$ 24,437.5
Cost of products sold	25,707.5	23,475.3
Gross margin	1,084.5	962.2
Operating expenses:		
Distribution, selling, general and administrative expenses	643.3	581.5
Restructuring and employee severance	3.4	1.8
Acquisition-related costs	27.4	11.7
Impairments and loss on sale of assets	1.3	1.9
Litigation (recoveries)/charges, net	(3.2)	1.4
Operating earnings	412.3	363.9
Other (income)/expense, net	3.8	(7.5)
Interest expense, net	23.5	22.0
Gain on sale of investment in CareFusion	0.0	(74.8)
Earnings before income taxes and discontinued operations	385.0	424.2
Provision for income taxes	147.9	129.8
Earnings from continuing operations	237.1	294.4
Earnings/(loss) from discontinued operations, net of tax	(0.3)	0.4
Net earnings	\$ 236.8	\$ 294.8
Basic earnings per Common Share:		
Continuing operations	\$ 0.69	\$ 0.84
Discontinued operations	0.00	0.00
Net basic earnings per Common Share	\$ 0.69	\$ 0.84
Diluted earnings per Common Share:		
Continuing operations	\$ 0.68	\$ 0.84
Discontinued operations	0.00	0.00
Net diluted earnings per Common Share	\$ 0.68	\$ 0.84
Weighted average number of Common Shares outstanding:		
Basic	344.8	348.9

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Diluted		349.4	351.9
Cash dividends declared per Common Share		\$ 0.215	\$ 0.195

See notes to condensed consolidated financial statements.

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CARDINAL HEALTH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	September 30, 2011 (Unaudited)	June 30, 2011
ASSETS		
Current assets:		
Cash and equivalents	\$ 2,010.6	\$ 1,929.3
Trade receivables, net	6,232.6	6,155.7
Inventories	7,497.2	7,334.2
Prepaid expenses and other	982.8	896.7
Total current assets	16,723.2	16,315.9
Property and equipment, at cost	3,304.8	3,274.2
Accumulated depreciation and amortization	(1,810.8)	(1,762.0)
Property and equipment, net	1,494.0	1,512.2
Other assets:		
Goodwill and other intangibles, net	4,249.3	4,259.0
Other	716.5	758.8
Total assets	\$ 23,183.0	\$ 22,845.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,748.9	\$ 11,331.5
Current portion of long-term obligations and other short-term borrowings	333.1	326.7
Other accrued liabilities	1,714.6	1,711.3
Total current liabilities	13,796.6	13,369.5
Long-term obligations, less current portion	2,195.0	2,175.3
Deferred income taxes and other liabilities	1,477.5	1,452.5
Shareholders' equity:		
Preferred Shares, without par value:		
Authorized 0.5 million shares, Issued none	0.0	0.0
Common Shares, without par value:		
Authorized 755.0 million shares, Issued 363.6 million shares at September 30, 2011 and June 30, 2011	2,886.5	2,898.2
Retained earnings	3,492.6	3,331.4
Common Shares in treasury, at cost: 18.4 million shares and 12.5 million shares at September 30, 2011 and June 30, 2011, respectively	(725.2)	(457.7)
Accumulated other comprehensive income	60.0	76.7
Total shareholders' equity	5,713.9	5,848.6
Total liabilities and shareholders' equity	\$ 23,183.0	\$ 22,845.9

See notes to condensed consolidated financial statements.

Table of Contents**CARDINAL HEALTH INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In millions)**

	Three Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 236.8	\$ 294.8
(Earnings)/loss from discontinued operations	0.3	(0.4)
Earnings from continuing operations	237.1	294.4
Adjustments to reconcile earnings from continuing operations to net cash from operations:		
Depreciation and amortization	78.2	68.5
Gain on sale of investment in CareFusion	0.0	(74.8)
Impairments and loss on sale of assets	1.3	1.9
Share-based compensation	19.8	21.4
Provision for bad debts	0.9	2.7
Change in operating assets and liabilities, net of effects from acquisitions:		
Increase in trade receivables	(69.3)	(272.3)
Increase in inventories	(160.9)	(731.8)
Increase in accounts payable	409.8	1,033.1
Other accrued liabilities and operating items, net	(12.7)	(125.4)
Net cash provided by operating activities continuing operations	504.2	217.7
Net cash used in operating activities discontinued operations	0.0	(0.7)
Net cash provided by operating activities	504.2	217.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash acquired	(7.3)	(559.9)
Additions to property and equipment	(44.3)	(61.9)
Proceeds from sale of CareFusion common stock	0.0	705.9
Proceeds from maturities of held-to-maturity securities	10.0	0.0
Net cash provided by/(used in) investing activities continuing operations	(41.6)	84.1
Net cash provided by investing activities discontinued operations	0.0	0.0
Net cash provided by/(used in) investing activities	(41.6)	84.1
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in short-term borrowings	(5.0)	0.0
Reduction of long-term obligations	(0.5)	(0.4)
Proceeds from issuance of Common Shares	18.1	8.4
Tax disbursements from share-based compensation	(21.6)	(14.1)
Excess tax benefit from exercises of stock options	4.9	2.0
Dividends on Common Shares	(77.2)	(70.3)
Purchase of treasury shares	(300.0)	(269.8)

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Net cash used in financing activities continuing operations	(381.3)	(344.2)
Net cash provided by financing activities discontinued operations	0.0	0.0
Net cash used in financing activities	(381.3)	(344.2)
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	81.3	(43.1)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	1,929.3	2,755.3
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 2,010.6	\$