

STRYKER CORP  
Form 10-Q  
October 22, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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, 2012

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

Commission file number: 0-9165

STRYKER CORPORATION

(Exact name of registrant as specified in its charter)

Michigan

(State of incorporation)

38-1239739

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

2825 Airview Boulevard, Kalamazoo,

Michigan

(Address of principal executive  
offices)

49002

(Zip Code)

(269)-385-2600

(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.

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Large accelerated filer  Accelerated filer

Non-accelerated filer  Small 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

Number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:  
380,200,593 shares of Common Stock, \$0.10 par value, as of September 30, 2012.

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## PART I. - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## Stryker Corporation and Subsidiaries

## CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Net sales	\$2,052	\$2,031	\$6,319	\$6,092
Cost of sales	655	669	2,036	2,071
Gross profit	1,397	1,362	4,283	4,021
Research, development and engineering expenses	114	122	342	347
Selling, general and administrative expenses	791	765	2,433	2,316
Intangible asset amortization	30	31	92	90
Restructuring charges	12	—	45	—
Total operating expenses	947	918	2,912	2,753
Operating income	450	444	1,371	1,268
Other income (expense), net	(6	) (13	) (24	) (15
Earnings before income taxes	444	431	1,347	1,253
Income taxes	91	104	319	309
Net earnings	\$353	\$327	\$1,028	\$944
Net earnings per share of common stock:				
Basic net earnings per share of common stock	\$0.93	\$0.85	\$2.70	\$2.43
Diluted net earnings per share of common stock	\$0.92	\$0.84	\$2.68	\$2.41
Weighted-average shares outstanding—in millions:				
Basic	380.2	386.0	380.7	388.1
Net effect of dilutive employee stock options	2.3	2.4	2.5	3.4
Diluted	382.5	388.4	383.2	391.5
Anti-dilutive shares excluded from the calculation of net effect of dilutive employee stock options	6.4	9.6	8.6	7.3

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Net Earnings	\$353	\$327	\$1,028	\$944
Unrealized gain (loss) on securities, net of income taxes	4	1	8	(4
Unfunded pension gains (losses), net of income taxes	—	1	—	(1

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Foreign currency translation adjustments	134	(214	) (74	) 123
Total Other Comprehensive Income (Loss)	138	(212	) (66	) 118
Comprehensive Income	\$491	\$115	\$962	\$1,062

See accompanying notes to Consolidated Financial Statements.

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Dollar amounts in millions except per share amounts or as otherwise specified

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## Stryker Corporation and Subsidiaries

## CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30 2012	December 31 2011
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$1,423	\$905
Marketable securities	2,440	2,513
Accounts receivable, less allowance of \$53 (\$56 in 2011)	1,356	1,417
Inventories		
Materials and supplies	211	185
Work in process	76	46
Finished goods	1,028	1,052
Total inventories	1,315	1,283
Deferred income taxes	860	820
Prepaid expenses and other current assets	246	273
Total current assets	7,640	7,211
Property, Plant and Equipment		
Land, buildings and improvements	613	600
Machinery and equipment	1,556	1,455
Total Property, Plant and Equipment	2,169	2,055
Less allowance for depreciation	1,240	1,167
Net Property, Plant and Equipment	929	888
Other Assets		
Goodwill	2,060	2,072
Other intangibles, less accumulated amortization of \$660 (\$535 in 2011)	1,342	1,442
Loaner instrumentation, less accumulated amortization of \$879 (\$795 in 2011)	327	318
Deferred income taxes	310	317
Other	169	157
Total assets	\$12,777	\$12,405
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	270	345
Accrued compensation	400	444
Income taxes	59	116
Dividend payable	81	81
Accrued expenses and other liabilities	748	825
Current maturities of debt	18	17
Total current liabilities	1,576	1,828
Long-Term Debt, excluding current maturities	1,751	1,751
Other Liabilities	1,089	1,143
Shareholders' Equity		
Common stock, \$0.10 par value:		
Authorized: 1 billion shares, Outstanding: 380 million shares (381 million in 2011)	38	38
Additional paid-in capital	1,083	1,022
Retained earnings	7,162	6,479
Accumulated other comprehensive income	78	144

Total shareholders' equity	8,361	7,683
Total liabilities & shareholders' equity	\$12,777	\$12,405

See accompanying notes to Consolidated Financial Statements.

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Dollar amounts in millions except per share amounts or as  
otherwise specified

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## Stryker Corporation and Subsidiaries

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at January 1, 2012	\$ 38	\$ 1,022	\$ 6,479	\$ 144	\$ 7,683
Net earnings			1,028		1,028
Other Comprehensive Loss				(66 )	(66 )
Issuance of 1.3 million shares of common stock under stock option and benefit plans, including \$2 excess income tax benefit		10			10
Repurchase and retirement of 2.1 million shares of common stock		(6 )	(102 )		(108 )
Share-based compensation		57			57
Cash dividends declared of \$0.6375 per share of common stock			(243 )		(243 )
Balance at September 30, 2012	\$ 38	\$ 1,083	\$ 7,162	\$ 78	\$ 8,361

See accompanying notes to Consolidated Financial Statements.

In February 2012 we declared a quarterly dividend of \$0.2125 per share, payable April 30, 2012 to shareholders of record at the close of business on March 30, 2012. In June 2012 we declared a quarterly dividend of \$0.2125 per share, payable July 31, 2012 to shareholders of record at the close of business on June 29, 2012. In September 2012 we declared a quarterly dividend of \$0.2125 per share, payable October 31, 2012 to shareholders of record at the close of business on September 28, 2012.

## Stryker Corporation and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2012	2011	2012	2011
Operating Activities				
Net earnings	\$353	\$327	\$1,028	\$944
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation	38	40	115	119
Amortization	82	84	249	240
Share-based compensation	18	19	57	58
Restructuring Charges	12	—	45	—
Sale of inventory stepped-up to fair value at acquisition	—	18	15	128