

CONMED CORP
Form 10-Q
July 27, 2015
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 quarter ended
June 30, 2015

Commission File Number
0-16093

CONMED CORPORATION
(Exact name of the registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)
525 French Road, Utica, New York
(Address of principal executive offices)

16-0977505
(I.R.S. Employer
Identification No.)
13502
(Zip Code)

(315) 797-8375
(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

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company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer 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 outstanding of registrant's common stock, as of July 21, 2015 is 27,700,037 shares.

CONMED CORPORATION
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE QUARTER ENDED JUNE 30, 2015

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PART I FINANCIAL INFORMATION

Item 1.

CONMED CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	\$181,027	\$188,150	\$358,967	\$370,091
Cost of sales	87,529	87,122	173,187	166,481
Gross profit	93,498	101,028	185,780	203,610
Selling and administrative expense	73,581	78,234	148,367	156,598
Research and development expense	7,501	6,854	14,043	13,764
Operating expenses	81,082	85,088	162,410	170,362
Income from operations	12,416	15,940	23,370	33,248
Interest expense	1,489	1,571	2,949	3,032
Income before income taxes	10,927	14,369	20,421	30,216
Provision for income taxes	3,466	4,114	6,648	11,335
Net income	\$7,461	\$10,255	\$13,773	\$18,881
Comprehensive income	\$8,630	\$11,597	\$4,915	\$21,174
Per share data:				
Net income				
Basic	\$0.27	\$0.38	\$0.50	\$0.69
Diluted	0.27	0.37	0.49	0.68
Dividends per share of common stock	\$0.20	\$0.20	\$0.40	\$0.40
Weighted average common shares				
Basic	27,620	27,257	27,603	27,303
Diluted	27,857	27,753	27,839	27,803

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited, in thousands except share and per share amounts)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$62,216	\$66,332
Accounts receivable, net	129,660	129,287
Inventories	149,180	148,149
Deferred income taxes	13,137	14,348
Prepaid expenses and other current assets	20,073	23,034
Total current assets	374,266	381,150
Property, plant and equipment, net	131,625	133,429
Deferred income taxes	1,206	1,398
Goodwill	261,004	256,232
Other intangible assets, net	311,128	316,440
Other assets	10,157	9,545
Total assets	\$1,089,386	\$1,098,194
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$1,285	\$1,234
Accounts payable	27,364	23,752
Accrued compensation and benefits	29,932	36,446
Income taxes payable	2,621	2,668
Other current liabilities	48,680	51,856
Total current liabilities	109,882	115,956
Long-term debt	258,545	240,201
Deferred income taxes	112,720	112,223
Other long-term liabilities	30,145	48,516
Total liabilities	511,292	516,896
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.01 per share; authorized 500,000 shares; none outstanding	—	—
Common stock, par value \$.01 per share; 100,000,000 shares authorized; 31,299,194 shares issued in 2015 and 2014, respectively	313	313
Paid-in capital	318,694	319,752
Retained earnings	408,863	406,145
Accumulated other comprehensive loss	(48,680) (39,822)

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Less: 3,602,163 and 3,744,473 shares of common stock in treasury, at cost in 2015 and 2014, respectively	(101,096) (105,090)
Total shareholders' equity	578,094	581,298	
Total liabilities and shareholders' equity	\$1,089,386	\$1,098,194	

See notes to consolidated condensed financial statements.

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CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended	
	June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 13,773	\$ 18,881
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,196	9,473
Amortization	11,885	12,831
Stock-based compensation	3,779	2,518
Deferred income taxes	2,176	3,837
Increase (decrease) in cash flows from changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(3,571	) 5,584
Inventories	(8,003	) (19,163)
Accounts payable	3,863	(1,353)
Income taxes receivable (payable)	(1,105	) (1,013)
Accrued compensation and benefits	(6,078	) (5,260)
Other assets	2,603	834
Other liabilities	(3,463	) (2,256)
	11,282	6,032
Net cash provided by operating activities	25,055	24,913
Cash flows from investing activities:		
Purchases of property, plant and equipment	(7,783	) (8,641)
Payments related to business acquisitions	(6,104) —
Net cash used in investing activities	(13,887	) (8,641)
Cash flows from financing activities:		
Net proceeds from common stock issued under employee plans	468	953
Repurchase of common stock	—	(16,862)
Payments on mortgage notes	(605	) (558)
Proceeds from senior credit agreement	19,000	31,000
Payments related to distribution agreement	(16,667	) (16,667)
Payment related to contingent consideration	(2,423) —
Payments related to debt issuance costs	(1,410) —
Dividends paid on common stock	(11,026	) (10,987)
Other, net	1,598	1,857
Net cash used in financing activities	(11,065	) (11,264)
Effect of exchange rate changes on cash and cash equivalents	(4,219	) 963
Net increase (decrease) in cash and cash equivalents	(4,116	) 5,971
Cash and cash equivalents at beginning of period	66,332	54,443

Cash and cash equivalents at end of period	\$62,216	\$60,414
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