

ALERE INC.  
Form 10-Q  
September 06, 2016  
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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 June 30, 2016**

**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 001-16789**

**ALERE INC.**

**(Exact name of registrant as specified in its charter)**

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)  
**51 SAWYER ROAD, SUITE 200**  
**WALTHAM, MASSACHUSETTS 02453**  
(Address of principal executive offices) (Zip code)  
(781) 647-3900  
(Registrant's telephone number, including area code)

**04-3565120**  
(I.R.S. Employer  
Identification No.)

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. (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 ☒

The number of shares outstanding of the registrant's common stock, par value of \$0.001 per share, as of August 30, 2016 was 86,740,318.



**Table of Contents****ALERE INC.****REPORT ON FORM 10-Q****For the Quarterly Period Ended June 30, 2016**

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers can identify these statements by forward-looking words such as may, could, should, would, intend, will, expect, anticipate, believe, estimate, continue or similar words. A number of important factors could cause actual results of Alere Inc. and its subsidiaries to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, the risk factors detailed in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and other risk factors identified herein or from time to time in our periodic filings with the Securities and Exchange Commission. Readers should carefully review these forward-looking statements and these risk factors, and should not place undue reliance on our forward-looking statements. These forward-looking statements are based on information, plans and estimates at the date of this report. We undertake no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.*

*Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to we, us and our refer to Alere Inc. and its subsidiaries.*

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(unaudited)

(in thousands, except per share amounts)

	<b>Three Months Ended June 30, 2016</b>		<b>Six Months Ended June 30, 2015</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net product sales	\$ 483,746	\$ 491,049	\$ 943,517	\$ 975,387
Services revenue	124,809	126,628	240,518	250,484
Net product sales and services revenue	608,555	617,677	1,184,035	1,225,871
License and royalty revenue	2,533	5,694	5,262	10,392
<b>Net revenue</b>	<b>611,088</b>	<b>623,371</b>	<b>1,189,297</b>	<b>1,236,263</b>
Cost of net product sales	250,398	257,893	487,859	497,994
Cost of services revenue	78,294	76,800	151,394	152,426
Cost of net product sales and services revenue	328,692	334,693	639,253	650,420
Cost of license and royalty revenue	535	1,344	1,926	3,294
<b>Cost of net revenue</b>	<b>329,227</b>	<b>336,037</b>	<b>641,179</b>	<b>653,714</b>
<b>Gross profit</b>	<b>281,861</b>	<b>287,334</b>	<b>548,118</b>	<b>582,549</b>
Operating expenses:				
Research and development	28,446	27,198	55,508	55,214
Sales and marketing	102,516	108,024	202,329	217,103
General and administrative	128,354	61,173	243,310	153,864
Impairment and (gain) loss on dispositions, net		5,542	(3,810)	40,334
<b>Operating income</b>	<b>22,545</b>	<b>85,397</b>	<b>50,781</b>	<b>116,034</b>
Interest expense, including amortization of original issue discounts and deferred financing costs	(42,329)	(59,494)	(84,435)	(105,925)
Other income (expense), net	(14,112)	3,195	(15,461)	828
<b>Income (loss) from continuing operations before provision for income taxes</b>	<b>(33,896)</b>	<b>29,098</b>	<b>(49,115)</b>	<b>10,937</b>
Provision (benefit) for income taxes	3,117	15,689	2,909	7,836

<b>Income (loss) from continuing operations before equity earnings of unconsolidated entities, net of tax</b>	(37,013)	13,409	(52,024)	3,101
Equity earnings of unconsolidated entities, net of tax	2,122	1,361	7,156	5,320
Income (loss) from continuing operations	(34,891)	14,770	(44,868)	8,421
Income from discontinued operations, net of tax				216,777
<b>Net income (loss)</b>	(34,891)	14,770	(44,868)	225,198
Less: Net income attributable to non-controlling interests	143	359	246	447
<b>Net income (loss) attributable to Alere Inc. and Subsidiaries</b>	(35,034)	14,411	(45,114)	224,751
Preferred stock dividends	(5,308)	(5,308)	(10,617)	(10,558)
<b>Net income (loss) available to common stockholders</b>	\$ (40,342)	\$ 9,103	\$ (55,731)	\$ 214,193
<b>Basic net income (loss) per common share:</b>				
Income (loss) from continuing operations	\$ (0.46)	\$ 0.11	\$ (0.64)	\$ (0.03)
Income from discontinued operations				2.56
Net income (loss) per common share	\$ (0.46)	\$ 0.11	\$ (0.64)	\$ 2.53
<b>Diluted net income (loss) per common share:</b>				
Income (loss) from continuing operations	\$ (0.46)	\$ 0.11	\$ (0.64)	\$ (0.03)
Income from discontinued operations				2.56
Net income (loss) per common share	\$ (0.46)	\$ 0.11	\$ (0.64)	\$ 2.53
<b>Weighted-average shares basic</b>	86,737	85,173	86,692	84,758
<b>Weighted-average shares diluted</b>	86,737	86,635	86,692	84,758

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**ALERE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(unaudited)

(in thousands)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net income (loss)	\$ (34,891)	\$ 14,770	\$ (44,868)	\$ 225,198
Other comprehensive income (loss), before tax:				
Changes in cumulative translation adjustment	(44,135)	46,726	(21,942)	(33,616)
Minimum pension liability adjustment	531	(374)	686	(1,756)
Other comprehensive income (loss), before tax	(43,604)	46,352	(21,256)	(35,372)
Other comprehensive income (loss)	(43,604)	46,352	(21,256)	(35,372)
<b>Comprehensive income (loss)</b>	<b>(78,495)</b>	<b>61,122</b>	<b>(66,124)</b>	<b>189,826</b>
Less: Comprehensive income attributable to non-controlling interests	143	359	246	447
<b>Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries</b>	<b>\$ (78,638)</b>	<b>\$ 60,763</b>	<b>\$ (66,370)</b>	<b>\$ 189,379</b>

The accompanying notes are an integral part of these consolidated financial statements.

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**ALERE INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(unaudited)

(in thousands, except par value)

	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 506,164	\$ 502,200
Restricted cash	5,662	5,694
Marketable securities	74	164
Accounts receivable, net of allowances of \$92,983 and \$89,701 at June 30, 2016 and December 31, 2015, respectively	427,222	445,833
Inventories, net	333,846	347,001
Prepaid expenses and other current assets	162,339	152,233
Assets held for sale — current		4,165
<b>Total current assets</b>	1,435,307	1,457,290
Property, plant and equipment, net	438,787	446,039
Goodwill	2,811,545	2,836,915
Other intangible assets with indefinite lives	28,279	28,110
Finite-lived intangible assets, net	909,208	997,281
Restricted cash	42,589	43,228
Other non-current assets	16,290	18,078
Investments in unconsolidated entities	74,511	65,333
Deferred tax assets	18,638	13,993
Non-current income tax receivable	3,517	3,517
Assets held for sale — non-current	12,223	13,337
<b>Total assets</b>	\$ 5,790,894	\$ 5,923,121
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt and current portion of long-term debt	\$ 43,681	\$ 199,992
Current portion of capital lease obligations	3,500	3,962
Accounts payable	194,235	195,752
Accrued expenses and other current liabilities	320,526	324,465
Liabilities related to assets held for sale — current		363
<b>Total current liabilities</b>	561,942	724,534
<b>Long-term liabilities:</b>		
Long-term debt, net of current portion	2,920,789	2,831,166



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Capital lease obligations, net of current portion	6,972	7,181
Deferred tax liabilities	140,864	147,618
Other long-term liabilities	148,165	154,193
<b>Total long-term liabilities</b>	<b>3,216,790</b>	<b>3,140,158</b>

**Commitments and contingencies**

**Stockholders' equity:**