

CARDINAL HEALTH INC
Form 10-Q
February 05, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

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

For the quarter ended December 31, 2009

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

31-0958666
(I.R.S. Employer

incorporation or organization)

Identification No.)

7000 CARDINAL PLACE, DUBLIN, OHIO 43017

(Address of principal executive offices and 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 February 2, 2010 was as follows:

Common Shares, without par value: 361,459,464

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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 December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Revenue	\$ 24,919.7	\$ 24,117.8	\$ 49,700.4	\$ 47,554.9
Cost of products sold	23,962.0	23,202.7	47,833.9	45,738.6
Gross margin	957.7	915.1	1,866.5	1,816.3
Operating expenses				
Distribution, selling, general and administrative expenses	605.2	578.5	1,191.3	1,168.8
Restructuring and employee severance	10.7	16.9	70.4	37.6
Impairments and loss on sale of assets	0.4	6.9	24.0	10.5
Litigation (credits)/charges, net	(25.4)	(0.3)	(25.9)	(0.3)
Operating earnings	366.8	313.1	606.7	599.7
Other (income)/expense, net	(25.6)	19.7	(34.5)	22.2
Interest expense, net	27.4	22.2	61.3	51.4
Loss on extinguishment of debt			39.9	
Earnings before income taxes and discontinued operations	365.0	271.2	540.0	526.1
Provision for income taxes	134.8	102.2	371.6	184.9
Earnings from continuing operations	230.2	169.0	168.4	341.2
Earnings from discontinued operations (net of tax expense of \$2.4 and \$56.7, respectively, for the three months ended December 31, 2009 and 2008 and \$28.4 and \$88.7, respectively, for the six months ended December 31, 2009 and 2008)	4.3	147.5	27.9	224.4
Net earnings	\$ 234.5	\$ 316.5	\$ 196.3	\$ 565.6
Basic earnings per Common Share:				
Continuing operations	\$ 0.64	\$ 0.48	\$ 0.47	\$ 0.96
Discontinued operations	0.01	0.41	0.08	0.62
Net basic earnings per Common Share	\$ 0.65	\$ 0.89	\$ 0.55	\$ 1.58
Diluted earnings per Common Share:				
Continuing operations	\$ 0.64	\$ 0.47	\$ 0.47	\$ 0.95
Discontinued operations	0.01	0.41	0.07	0.62
Net diluted earnings per Common Share	\$ 0.65	\$ 0.88	\$ 0.54	\$ 1.57

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Weighted average number of Common Shares outstanding:

Basic	359.0	357.3	359.1	357.0
Diluted	361.0	360.3	361.1	361.2
Cash dividends declared per Common Share	\$ 0.175	\$ 0.140	\$ 0.350	\$ 0.280

See notes to condensed consolidated financial statements.

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CARDINAL HEALTH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

	December 31, 2009 (Unaudited)	June 30, 2009
ASSETS		
Current assets:		
Cash and equivalents	\$ 1,746.8	\$ 1,221.6
Trade receivables, net	4,927.5	5,214.9
Inventories	7,961.0	6,832.8
Prepaid expenses and other	674.1	523.0
Assets from businesses held for sale and discontinued operations	148.9	7,189.4
Total current assets	15,458.3	20,981.7
Property and equipment, at cost	3,105.9	3,139.6
Accumulated depreciation and amortization	(1,682.7)	(1,675.1)
Property and equipment, net	1,423.2	1,464.5
Other assets:		
Investment in CareFusion	897.4	
Goodwill and other intangibles, net	2,294.7	2,266.9
Other	747.9	405.7
Total assets	\$ 20,821.5	\$ 25,118.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations and other short-term borrowings	\$ 12.7	\$ 366.2
Accounts payable	10,543.1	9,041.9
Other accrued liabilities	1,609.9	1,496.2
Liabilities from businesses held for sale and discontinued operations	37.3	1,370.9
Total current liabilities	12,203.0	12,275.2
Long-term obligations, less current portion and other short-term borrowings	2,099.2	3,271.6
Deferred income taxes and other liabilities	1,293.2	847.3
Shareholders' equity:		
Preferred Shares, without par value: Authorized 0.5 million shares, Issued none		
Common Shares, without par value: Authorized 755.0 million shares, Issued 363.6 million shares and 363.7 million shares at December 31, 2009 and June 30, 2009, respectively	2,893.0	3,031.6
Retained earnings	2,306.5	5,953.9
Common Shares in treasury, at cost, 2.3 million shares and 3.7 million shares at December 31, 2009 and June 30, 2009, respectively	(173.8)	(343.0)
Accumulated other comprehensive income	200.4	82.2
Total shareholders' equity	5,226.1	8,724.7

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Total liabilities and shareholders' equity	\$ 20,821.5	\$ 25,118.8
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See notes to condensed consolidated financial statements.

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

	Six Months Ended December 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 196.3	\$ 565.6
Earnings from discontinued operations	(27.9)	(224.4)
Earnings from continuing operations	168.4	341.2
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	125.8	116.1
Loss on extinguishment of debt	39.9	
Gain on sale of CareFusion common stock	(20.0)	
Impairments and loss on sale of assets	24.0	10.5
Share based payment compensation	42.1	50.2
Provision for bad debts	21.4	21.8
Change in operating assets and liabilities, net of effects from acquisitions:		
Decrease/(increase) in trade receivables	269.2	(238.6)
Increase in inventories	(1,127.2)	(1,820.3)
Increase in accounts payable	1,499.2	1,299.1
Other accrued liabilities and operating items, net	(259.0)	(286.4)
Net cash provided by/(used in) operating activities – continuing operations	783.8	(506.4)
Net cash provided by operating activities – discontinued operations	146.8	717.6
Net cash provided by operating activities		