

FOREST LABORATORIES INC  
Form 10-Q  
August 06, 2010

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

FORM 10-Q

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(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, 2010

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

For the transition period from            to

Commission File No. 1-5438

FOREST LABORATORIES, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

11-1798614  
(I.R.S. Employer  
Identification Number)

909 Third Avenue  
New York, New York  
(Address of principal executive offices)

10022-4731  
(Zip code)

(212) 421-7850  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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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  Smaller reporting  
company

(Do not check if a 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

Number of shares outstanding of Registrant's Common Stock as of August 5, 2010: 285,544,480

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## PART I - FINANCIAL INFORMATION

FOREST LABORATORIES, INC. AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets

(In thousands)	June 30, 2010 (Unaudited)	March 31, 2010
Assets		
Current assets:		
Cash (including cash equivalent investments of \$1,722,819 in June and \$1,859,321 in March)	\$ 1,723,642	\$ 1,863,484
Marketable securities	1,566,268	1,458,778
Accounts receivable, less allowance for doubtful accounts of \$17,177 in June and \$17,192 in March	404,434	475,653
Inventories, net	460,732	467,769
Deferred income taxes	239,630	236,545
Other current assets	61,171	76,962
Total current assets	4,455,877	4,579,191
Marketable securities and investments	598,013	742,335
Property, plant and equipment	610,122	602,780
Less: accumulated depreciation	289,228	279,496
	320,894	323,284
Other assets:		
Goodwill	14,965	14,965
License agreements, product rights and other intangibles, less accumulated amortization of \$512,853 in June and \$506,392 in March	460,190	466,742
Deferred income taxes	95,942	96,490
Other assets	448	524
Total other assets	571,545	578,721
Total assets	\$ 5,946,329	\$ 6,223,531

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets

(In thousands, except for par values)	June 30, 2010 (Unaudited)	March 31, 2010
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 103,661	\$ 130,205
Accrued expenses	969,043	849,441
Total current liabilities	1,072,704	979,646
Long-term liabilities:		
Income tax liabilities	379,177	353,978
Commitments and contingencies		
Stockholders' equity:		
Series preferred stock, \$1.00 par; shares authorized 1,000; no shares issued or outstanding		
Common stock, \$.10 par; shares authorized 1,000,000; issued 424,164 shares in June and 424,090 shares in March	42,416	42,409
Additional paid-in capital	1,578,655	1,565,585
Retained earnings	7,179,096	7,061,619
Accumulated other comprehensive (loss) income	( 21,534 )	3,695
Treasury stock, at cost (138,622 shares in June and 121,700 shares in March)	( 4,284,185 )	( 3,783,401 )
Total stockholders' equity	4,494,448	4,889,907
Total liabilities and stockholders' equity	\$ 5,946,329	\$ 6,223,531

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Income  
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30,	
	2010	2009
Net sales	\$ 1,020,126	\$ 948,242
Contract revenue	39,804	47,709
Interest income	7,013	12,200
	1,066,943	1,008,151
Costs and expenses:		
Cost of sales	231,704	216,744
Selling, general and administrative	448,369	311,807
Research and development	219,657	147,126
	899,730	675,677
Income before income tax expense	167,213	332,474
Income tax expense	49,736	69,576
Net income	\$ 117,477	\$ 262,898
Net income per common share:		
Basic	\$ 0.39	\$ 0.87
Diluted	\$ 0.39	\$ 0.87
Weighted average number of common shares outstanding:		
Basic	300,950	302,958
Diluted	301,026	303,393

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

(In thousands)	Three Months Ended June 30,	
	2010	2009
Net income	\$ 117,477	\$ 262,898
Other comprehensive (loss) income:		
Foreign currency translation (losses) gains	( 13,782 )	11,513
Pension liability adjustment, net of tax	( 1,267 )	
Unrealized (losses) gains on securities:		
Unrealized holding (losses) gains arising during the period, net of tax	( 10,180 )	25,861
Other comprehensive (loss) income	( 25,229 )	37,374
Comprehensive income	\$ 92,248	\$ 300,272

See notes to condensed consolidated financial statements.

FOREST LABORATORIES, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

(In thousands)	Three Months Ended	
	June 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 117,477	\$ 262,898
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,943	11,240
Amortization	6,461	8,923
Stock-based compensation expense	13,183	11,822
Deferred income tax benefit	( 2,537 )	( 7,679 )
Foreign currency transaction (gain) loss	( 410 )	280
Net change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable, net	71,219	( 37,737 )
Inventories, net	7,037	( 26,305 )
Other current assets	15,791	32,493
Other assets	76	( 3 )
Increase (decrease) in:		
Accounts payable	( 26,544 )	( 2,212 )
Accrued expenses	119,602	64,546
Income tax liabilities	25,199	21,914
Net cash provided by operating activities	357,497	340,180
Cash flows from investing activities:		
Purchase of property, plant and equipment	( 8,954 )	( 5,361 )
Purchase of marketable securities	( 533,723 )	( 636,308 )
Redemption of marketable securities	567,013	447,896
Net cash provided by (used in) investing activities	24,336	( 193,773 )
Cash flows from financing activities:		
Net proceeds from common stock options exercised by employees under stock option plans	64	295
Excess tax (provision) benefit related to stock-based compensation	( 171 )	75
Treasury stock transactions	( 500,784 )	( 626 )
Net cash used in financing activities	( 500,891 )	( 256 )
Effect of exchange rate changes on cash	( 20,784 )	36,005
(Decrease) increase in cash and cash equivalents	( 139,842 )	182,156
Cash and cash equivalents, beginning of period	1,863,484	1,338,905
Cash and cash equivalents, end of period	\$ 1,723,642	\$ 1,521,061



Supplemental disclosures of cash flow  
information:

Cash paid for income taxes	\$ 7,040
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