ICU MEDICAL INC/DE Form 10-Q May 10, 2018

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 $^{\rm x}$ 1934

For the quarterly period ended: March 31, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF $^{\mathrm{o}}$ 1934

For the transition period from: to

Commission File No.: 001-34634

ICU MEDICAL, INC.

(Exact name of Registrant as specified in its charter)

Delaware 33-0022692
(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)
951 Calle Amanecer, San Clemente, California 92673
(Address of principal executive offices) (Zip Code)
(949) 366-2183

(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 x No o

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 x No o

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 x Accelerated filer o

Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company) Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. o

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class Outstanding at April 30, 2018

Common 20,317,014

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes o No x

ICU MEDICAL, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item1. Financial Statements (Unaudited)

ICU MEDICAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value data)

ASSETS	March 31, 2018 (Unaudited)	December 31, 2017 (1)
CURRENT ASSETS:		
Cash and cash equivalents Short-term investment securities TOTAL CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES	\$254,536 14,180 268,716	\$ 290,072 10,061 300,133
Accounts receivable, net of allowance for doubtful accounts of \$3,839 at March 31, 2018 and \$3,311 at December 31, 2017	123,477	112,696
Inventories Prepaid income tax Prepaid expenses and other current assets Related-party receivable Assets held-for-sale TOTAL CURRENT ASSETS	295,548 16,111 32,406 132,272 — 868,530	288,657 10,594 41,286 98,807 12,489 864,662
PROPERTY AND EQUIPMENT, net LONG-TERM INVESTMENT SECURITIES GOODWILL INTANGIBLE ASSETS, net DEFERRED INCOME TAXES OTHER ASSETS TOTAL ASSETS	407,582 9,896 12,314 136,645 20,073 37,702 \$1,492,742	398,684 14,579 12,357 143,753 24,775 38,141 \$1,496,951
LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES: Accounts payable	\$82,195	\$78,228
Accrued liabilities TOTAL CURRENT LIABILITIES	116,448 198,643	132,064 210,292
CONTINGENT EARN-OUT LIABILITY OTHER LONG-TERM LIABILITIES DEFERRED INCOME TAXES INCOME TAX LIABILITY COMMITMENTS AND CONTINGENCIES	23,000 35,074 1,482 4,592	27,000 55,326 1,487 4,592
STOCKHOLDERS' EQUITY: Convertible preferred stock, \$1.00 par value Authorized—500 shares; Issued and outstand none	li <u>ng</u> —	_
Common stock, \$0.10 par value — Authorized, 80,000 shares; Issued 20,317 shares at March 31, 2018 and 20,210 shares at December 31, 2017; Outstanding, 20,304 shares at March 31, 2018 and 20,210 shares at December 31, 2017	2,032	2,021
Additional paid-in capital Treasury stock, at cost	632,012 (3,176)	625,568

Retained earnings	596,829	585,624	
Accumulated other comprehensive income (loss)	2,254	(14,959)
TOTAL STOCKHOLDERS' EQUITY	1,229,951	1,198,254	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,492,742	\$1,496,951	

⁽¹⁾ December 31, 2017 balances were derived from audited consolidated financial statements. The accompanying notes are an integral part of these condensed consolidated financial statements.

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ICU MEDICAL, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) (In thousands, except per share data)

	Three months ended March 31,	
	2018	2017
REVENUE:		
Net sales	\$372,033	\$231,788
Other		15,951
TOTAL REVENUE	372,033	247,739
COST OF GOODS SOLD	223,032	158,794
GROSS PROFIT	149,001	88,945
OPERATING EXPENSES:		
Selling, general and administrative	86,997	64,886
Research and development	12,586	11,641
Restructuring, strategic transaction and integration	21,569	29,401