

TELEFLEX INC  
Form 10-Q  
October 27, 2009

**Table of Contents**

**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 September 27, 2009**  
**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 1-5353**

**TELEFLEX INCORPORATED**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**23-1147939**

(I.R.S. employer identification no.)

**155 South Limerick Road, Limerick, Pennsylvania**

(Address of principal executive offices)

**19468**

(Zip Code)

**(610) 948-5100**

(Registrant's telephone number, including area code)

**(None)**

(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 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  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 Act). Yes  No   
**On October 16, 2009, 39,727,071 shares of the registrant's common stock, \$1.00 par value, were outstanding.**



**TELEFLEX INCORPORATED**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 27, 2009**  
**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<u>Item 1: Financial Statements (Unaudited):</u>	
<u>Condensed Consolidated Statements of Income for the three and nine months ended September 27, 2009 and September 28, 2008</u>	2
<u>Condensed Consolidated Balance Sheets as of September 27, 2009 and December 31, 2008</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 27, 2009 and September 28, 2008</u>	4
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 27, 2009 and September 28, 2008</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3: Quantitative and Qualitative Disclosures About Market Risk</u>	32
<u>Item 4: Controls and Procedures</u>	32
<b><u>PART II OTHER INFORMATION</u></b>	
<u>Item 1: Legal Proceedings</u>	33
<u>Item 1A: Risk Factors</u>	33
<u>Item 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
<u>Item 3: Defaults Upon Senior Securities</u>	33
<u>Item 4: Submission of Matters to a Vote of Security Holders</u>	33
<u>Item 5: Other Information</u>	33
<u>Item 6: Exhibits</u>	34
<b><u>SIGNATURES</u></b>	35
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	

Exhibit 32.1

Exhibit 32.2

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

**TELEFLEX INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>27,</b>	<b>28,</b>	<b>27,</b>	<b>28,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>(Dollars and shares in thousands, except per share)</b>			
Net revenues	\$ 461,479	\$ 504,035	\$ 1,375,059	\$ 1,569,486
Materials, labor and other product costs	260,925	294,202	780,710	917,802
Gross profit	200,554	209,833	594,349	651,684
Selling, engineering and administrative expenses	126,151	137,527	381,132	432,833
Net loss on sales of businesses and assets			2,597	18
Goodwill impairment			6,728	
Restructuring and other impairment charges	4,783	470	13,412	11,917
Income from continuing operations before interest and taxes	69,620	71,836	190,480	206,916
Interest expense	21,074	28,983	68,470	91,433
Interest income	(233)	(492)	(1,907)	(1,861)
Income from continuing operations before taxes	48,779	43,345	123,917	117,344
Taxes on income from continuing operations	13,740	13,718	29,262	39,443
Income from continuing operations	35,039	29,627	94,655	77,901
Operating (loss) income from discontinued operations (including (loss) gain on disposal of (\$3,480) and \$272,307 for the three and nine month periods in 2009, respectively and (loss) on disposal of (\$4,808) for the nine month period in 2008)	(4,207)	22,302	269,222	47,850
Taxes (benefit) on income from discontinued operations	(7,785)	(17)	92,881	(233)
Income from discontinued operations	3,578	22,319	176,341	48,083
Net income	38,617	51,946	270,996	125,984
Less: Net income attributable to noncontrolling interest	305	196	843	642
Income from discontinued operations attributable to noncontrolling interest		9,431	9,860	25,137

Edgar Filing: TELEFLEX INC - Form 10-Q

Net income attributable to common shareholders	\$ 38,312	\$ 42,319	\$ 260,293	\$ 100,205
Earnings per share available to common shareholders:				
Basic:				
Income from continuing operations	\$ 0.87	\$ 0.74	\$ 2.36	\$ 1.95
Income from discontinued operations	\$ 0.09	\$ 0.33	\$ 4.19	\$ 0.58
Net income	\$ 0.96	\$ 1.07	\$ 6.55	\$ 2.53
Diluted:				
Income from continuing operations	\$ 0.87	\$ 0.74	\$ 2.35	\$ 1.94
Income from discontinued operations	\$ 0.09	\$ 0.32	\$ 4.17	\$ 0.58
Net income	\$ 0.96	\$ 1.06	\$ 6.52	\$ 2.52
Dividends per share	\$ 0.34	\$ 0.34	\$ 1.02	\$ 1.00
Weighted average common shares outstanding:				
Basic	39,724	39,645	39,711	39,553
Diluted	39,932	39,970	39,910	39,837
Amounts attributable to common shareholders:				
Income from continuing operations, net of tax	\$ 34,734	\$ 29,431	\$ 93,812	\$ 77,259
Income from discontinued operations, net of tax	3,578	12,888	166,481	22,946
Net income	\$ 38,312	\$ 42,319	\$ 260,293	\$ 100,205

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

**Table of Contents**

**TELEFLEX INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	<b>September 27, 2009</b>	<b>December 31, 2008</b>
	<b>(Dollars in thousands)</b>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 158,789	\$ 107,275
Accounts receivable, net	266,924	311,908
Inventories, net	395,234	424,653
Prepaid expenses and other current assets	20,099	21,373
Income taxes receivable	37,628	17,958
Deferred tax assets	58,609	66,009
Assets held for sale	9,010	8,210
Total current assets	946,293	957,386
Property, plant and equipment, net	327,014	374,292
Goodwill	1,466,829	1,474,123
Intangibles and other assets, net	1,055,329	1,090,852
Investments in affiliates	12,214	28,105
Deferred tax assets		1,986
Total assets	\$ 3,807,679	\$ 3,926,744
 <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities		
Current borrowings	\$ 5,956	\$ 108,853
Accounts payable	85,834	139,677
Accrued expenses	101,720	125,183
Payroll and benefit-related liabilities	72,544	83,129
Derivative liabilities	18,240	27,370
Accrued interest	19,950	26,888
Income taxes payable	13,341	12,613
Deferred tax liabilities	8,254	2,227
Total current liabilities	325,839	525,940
Long-term borrowings	1,248,584	1,437,538
Deferred tax liabilities	344,197	324,678
Pension and postretirement benefit liabilities	169,868	169,841
Other liabilities	165,628	182,864
Total liabilities	2,254,116	2,640,861
Commitments and contingencies		
Total common shareholders equity	1,549,092	1,246,455

Edgar Filing: TELEFLEX INC - Form 10-Q

Noncontrolling interest	4,471	39,428
Total equity	1,553,563	1,285,883
Total liabilities and equity	\$ 3,807,679	\$ 3,926,744

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

**Table of Contents**

**TELEFLEX INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>September 27, 2009</b>	<b>September 28, 2008</b>
	<b>(Dollars in thousands)</b>	
<b>Cash Flows from Operating Activities of Continuing Operations:</b>		
Net income	\$ 270,996	\$ 125,984
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations	(176,341)	(48,083)
Depreciation expense	42,599	44,065
Amortization expense of intangible assets	32,917	34,255
Amortization expense of deferred financing costs	4,556	3,931
Impairment of long-lived assets	5,788	
Impairment of goodwill	6,728	
Stock-based compensation	6,793	6,447
Net loss on sales of businesses and assets	2,597	18
Other	257	16,901
Changes in operating assets and liabilities, net of effects of acquisitions and disposals:		
Accounts receivable	12,491	(7,081)
Inventories	7,455	(9,838)
Prepaid expenses and other current assets	2,274	9,104
Accounts payable and accrued expenses	(45,493)	8,032
Income taxes payable and deferred income taxes	(92,396)	(135,591)
 Net cash provided by operating activities from continuing operations	 81,221	 48,144
 <b>Cash Flows from Financing Activities of Continuing Operations:</b>		
Proceeds from long-term borrowings	10,018	77,000
Reduction in long-term borrowings	(300,268)	(185,345)
(Decrease) increase in notes payable and current borrowings	(836)	2,386
Proceeds from stock compensation plans	750	7,717
Payments to noncontrolling interest shareholders	(702)	(739)
Dividends	(40,521)	(39,568)
 Net cash used in financing activities from continuing operations	 (331,559)	 (138,549)
 <b>Cash Flows from Investing Activities of Continuing Operations:</b>		
Expenditures for property, plant and equipment	(21,485)	(25,546)
Proceeds from sales of businesses and assets, net of cash sold	314,513	6,681
Payments for businesses and intangibles acquired, net of cash acquired	(1,730)	(6,083)
Investments in affiliates		(320)

Edgar Filing: TELEFLEX INC - Form 10-Q

Net cash provided by (used in) investing activities from continuing operations	291,298	(25,268)
Cash Flows from Discontinued Operations:		
Net cash provided by operating activities	14,358	44,388
Net cash used in financing activities	(11,075)	(32,340)
Net cash used in investing activities	(1,173)	(2,746)
Net cash provided by discontinued operations	2,110	9,302
Effect of exchange rate changes on cash and cash equivalents	8,444	(3,574)
Net increase (decrease) in cash and cash equivalents	51,514	(109,945)
Cash and cash equivalents at the beginning of the period	107,275	201,342
Cash and cash equivalents at the end of the period	\$ 158,789	\$ 91,397

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

Table of Contents

**TELEFLEX INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**  
**(Unaudited)**

	Common Stock		Additional	Retained	Accumulated	Treasury	Noncontrolling	Total	Comprehensive
	Shares	Dollars	Paid in	Earnings	Other	Stock	Interest	Equity	Income
			Capital		Comprehensive	Shares	Dollars		
	(Dollars and shares in thousands, except per share)								
Balance at December 31, 2007	41,794	\$ 41,794	\$ 252,108	\$ 1,118,053	\$ 56,919	2,343	\$ (140,031)	\$ 42,183	\$ 1,371,026
Net income				100,205				25,779	125,984
Split-dollar life insurance arrangements adjustment				(1,874)					(1,874)
Cash dividends (\$1.00 per share)				(39,568)					(39,568)
Financial instruments marked to market, net of tax of \$(48)					(64)				(64)
Cumulative translation adjustment					(14,126)			(279)	(14,405)
Pension liability adjustment, net of tax of \$3,861					(2,399)				(2,399)
Distributions to noncontrolling interest shareholders								(33,079)	(33,079)
Disposition of noncontrolling interest								804	804
Comprehensive income									\$ 107,242
Shares issued under compensation plans	190	190	14,423			(15)	657		15,270
						(8)	332		332

Edgar Filing: TELEFLEX INC - Form 10-Q

Deferred  
compensation

Balance at  
September 28,  
2008

41,984 \$ 41,984 \$ 266,531 \$ 1,176,816 \$ 40,330 2,320 \$ (139,042) \$ 35,408 \$ 1,422,027

Balance at  
December 31,  
2008

41,995 \$ 41,995 \$ 268,263 \$ 1,182,906 \$ (108,202) 2,311 \$ (138,507) \$ 39,428 \$ 1,285,883

Net income

260,293 10,703 270,996 \$ 270,996

Cash dividends

(\$1.02 per  
share)

(40,521) (40,521)

Financial  
instruments

marked to  
market, net of  
tax of \$6,005

13,858 13,858 13,858

Cumulative  
translation  
adjustment

60,658 61 60,719 60,719

Pension  
liability  
adjustment, net

of tax of  
\$1,378

764 764 764

Distributions to  
noncontrolling  
interest

shareholders

(702) (702)

Disposition of  
noncontrolling  
interest

(45,019) (45,019)

Comprehensive  
income