

ALERE INC.
Form 10-Q
November 07, 2014
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 30, 2014

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 November 5, 2014 was 83,556,390.

Table of Contents**ALERE INC.****REPORT ON FORM 10-Q****For the Quarterly Period Ended September 30, 2014**

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, as amended, for the fiscal year ended December 31, 2013 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 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.

TABLE OF CONTENTS

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements (unaudited)</u>	3
<u>a) Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2014 and 2013</u>	3
<u>b) Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2014 and 2013</u>	4
<u>c) Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013</u>	5
<u>d) Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013</u>	6
<u>e) Notes to Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	37
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	49
<u>Item 4. Controls and Procedures</u>	49
<u>PART II. OTHER INFORMATION</u>	49
<u>Item 1. Legal Proceedings</u>	49
<u>Item 1A. Risk Factors</u>	50
<u>Item 6. Exhibits</u>	51
<u>SIGNATURE</u>	52

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ALERE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net product sales	\$ 509,276	\$ 509,038	\$ 1,508,145	\$ 1,538,876
Services revenue	222,788	240,098	665,680	703,344
Net product sales and services revenue	732,064	749,136	2,173,825	2,242,220
License and royalty revenue	4,182	4,184	15,999	13,113
Net revenue	736,246	753,320	2,189,824	2,255,333
Cost of net product sales	274,046	258,234	794,619	764,501
Cost of services revenue	118,105	123,760	355,538	367,081
Cost of net product sales and services revenue	392,151	381,994	1,150,157	1,131,582
Cost of license and royalty revenue	1,236	2,009	3,900	5,264
Cost of net revenue	393,387	384,003	1,154,057	1,136,846
Gross profit	342,859	369,317	1,035,767	1,118,487
Operating expenses:				
Research and development	38,726	40,498	114,855	120,860
Sales and marketing	136,336	158,678	432,527	472,921
General and administrative	130,185	138,672	424,998	409,606
Loss on disposition		5,885	638	5,885
Operating income	37,612	25,584	62,749	109,215
Interest expense, including amortization of original issue discounts and deferred financing costs	(52,481)	(53,420)	(156,678)	(203,272)
Other income (expense), net	(8,260)	(8,868)	(886)	(8,260)
Loss from continuing operations before provision (benefit) for income taxes	(23,129)	(36,704)	(94,815)	(102,317)

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Provision (benefit) for income taxes	76,648	(15,085)	63,109	(30,673)
Loss from continuing operations before equity earnings of unconsolidated entities, net of tax	(99,777)	(21,619)	(157,924)	(71,644)
Equity earnings of unconsolidated entities, net of tax	6,277	5,753	13,716	13,238
Loss from continuing operations	(93,500)	(15,866)	(144,208)	(58,406)
Income (loss) from discontinued operations, net of tax	7,045	(3,223)	2,047	(8,560)
Net loss	(86,455)	(19,089)	(142,161)	(66,966)
Less: Net income (loss) attributable to non-controlling interests	(306)	359	(136)	601
Net loss attributable to Alere Inc. and Subsidiaries	(86,149)	(19,448)	(142,025)	(67,567)
Preferred stock dividends	(5,367)	(5,367)	(15,926)	(15,926)
Net loss available to common stockholders	\$ (91,516)	\$ (24,815)	\$ (157,951)	\$ (83,493)
Basic and diluted net loss per common share attributable to Alere Inc. and Subsidiaries:				
Loss from continuing operations	\$ (1.19)	\$ (0.26)	\$ (1.93)	\$ (0.92)
Income (loss) from discontinued operations	0.09	(0.04)	0.02	(0.11)
Net loss per common share	\$ (1.10)	\$ (0.30)	\$ (1.91)	\$ (1.03)
Weighted-average shares basic and diluted	83,115	81,735	82,719	81,417

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)

	Three Months Ended September 30,		The Months Ended September 30,	
	2014	2013	2014	2013
Net loss	\$ (86,455)	\$ (19,089)	\$ (142,161)	\$ (66,966)
Other comprehensive income (loss), before tax:				
Changes in cumulative translation adjustment	(96,425)	67,268	(69,950)	(42,515)
Unrealized losses on available for sale securities			(17)	
Unrealized gains on hedging instruments	7	20	21	31
Minimum pension liability adjustment	481	(369)	468	335
Other comprehensive income (loss), before tax	(95,937)	66,919	(69,478)	(42,149)
Income tax provision (benefit) related to items of other comprehensive income (loss)				
Other comprehensive income (loss), net of tax	(95,937)	66,919	(69,478)	(42,149)
Comprehensive income (loss)	(182,392)	47,830	(211,639)	(109,115)
Less: Comprehensive income (loss) attributable to non-controlling interests	(306)	359	(136)	601
Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries	\$ (182,086)	\$ 47,471	\$ (211,503)	\$ (109,716)

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

Table of Contents

ALERE INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except par value)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 444,853	\$ 361,626
Restricted cash	38,156	6,273
Marketable securities	794	858
Accounts receivable, net of allowances of \$81,785 and \$76,587 at September 30, 2014 and December 31, 2013, respectively	517,434	547,860
Inventories, net	362,102	364,185
Deferred tax assets	33,551	60,689
Prepaid expenses and other current assets	128,126	129,326
Assets held for sale	2,143	19,052
Total current assets	1,527,159	1,489,869
Property, plant and equipment, net	526,922	543,877
Goodwill	3,067,110	3,093,691
Other intangible assets with indefinite lives	46,831	56,702
Finite-lived intangible assets, net	1,465,561	1,668,443
Restricted cash		29,370
Deferred financing costs, net, and other non-current assets	74,123	84,073
Investments in unconsolidated entities	91,175	86,830
Deferred tax assets	7,404	7,959
Non-current income tax receivable	2,336	
Total assets	\$ 6,808,621	\$ 7,060,814
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 88,042	\$ 49,112
Current portion of capital lease obligations	4,995	6,855
Accounts payable	216,748	186,818
Accrued expenses and other current liabilities	404,915	427,809
Liabilities related to assets held for sale	2,186	28,327
Total current liabilities	716,886	698,921
Long-term liabilities:		
Long-term debt, net of current portion	3,683,614	3,772,788

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Capital lease obligations, net of current portion	12,824	14,407
Deferred tax liabilities	310,330	329,249
Other long-term liabilities	192,686	162,601
Total long-term liabilities	4,199,454	4,279,045
Commitments and contingencies (Note 16)		
Stockholders equity:		
Series B preferred stock, \$0.001 par value (liquidation preference: \$709,763 at September 30, 2014 and December 31, 2013); Authorized: 2,300 shares; Issued: 2,065 shares at September 30, 2014 and December 31, 2013; Outstanding: 1,774 shares at September 30, 2014 and December 31, 2013	606,468	606,468
Common stock, \$0.001 par value; Authorized: 200,000 shares; Issued: 90,964 shares at September 30, 2014 and 89,666 shares at December 31, 2013; Outstanding: 83,285 shares at September 30, 2014 and 81,987 shares at December 31, 2013	91	90
Additional paid-in capital	3,340,239	3,319,168
Accumulated deficit	(1,778,252)	(1,636,227)
Treasury stock, at cost, 7,679 shares at September 30, 2014 and December 31, 2013	(184,971)	(184,971)
Accumulated other comprehensive loss	(96,040)	(26,562)
Total stockholders equity	1,887,535	2,077,966
Non-controlling interests	4,746	4,882
Total equity	1,892,281	2,082,848
Total liabilities and equity	\$ 6,808,621	\$ 7,060,814

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

Table of Contents**ALERE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

(in thousands)

	\$ --	\$ 2,065,627		
Stock	33,986,749	--	--	33,986,749
Bond	7,229,785	--	--	7,229,785
Multi-Class	9,869,071	--	--	9,869,071
Total Mutual Funds	53,151,232	--	--	53,151,232
Interface, Inc. Stock Fund	6,812,937	--	--	6,812,937
Common/Collective Trusts	--	82,479,837	--	82,479,837
Self-Directed Brokerage				
Common Stock	1,099,137	--	--	1,099,137
Total assets at fair value	\$ 61,063,306	\$ 82,479,837	\$ 143,543,143	

At December 31, 2017, the Plan had no unfunded commitments related to Common/Collective Trust Funds. The redemption of Common/Collective Trust Funds is subject to the preference of the individual Plan participants and contains no restrictions on the timing of redemption; however, participant redemptions may be subject to certain redemptions fees.

Assets at Fair Value as of December 31, 2016

Investment Type	Level 1	NAV	Total
Mutual Funds (by class)			
Money Market	\$2,085,384	\$--	\$2,085,384
Stock	16,205,618	--	16,205,618
Bond	6,063,908	--	6,063,908
Multi-Class	9,414,476	--	9,414,476
Total Mutual Funds	33,769,386	--	33,769,386
Interface, Inc. Stock Fund	5,763,633	--	5,763,633
Common/Collective Trust	--	83,716,379	83,716,379
Self-Directed Brokerage			
Common Stock	1,043,925	--	1,043,925

Total assets at fair value **\$40,576,944** **\$83,716,379** **\$124,293,323**

9

Table of Contents

Related Party	Certain Plan investments are shares of mutual funds, units of common collective trusts and units of a stable value fund managed by T. Rowe Price Trust Company. T. Rowe Price Trust Company is the
4. and Party in Interest Transactions	Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest. Fees incurred by the Plan for investment management services are included in net appreciation (depreciation) in fair value of the investment as they are paid through revenue sharing; rather than a direct payment. The Plan Sponsor pays directly any other fees related to the Plan's operations.
	At December 31, 2017 and 2016, the Plan held 270,892 and 310,708 shares, respectively, of common stock of Interface, Inc., the sponsoring employer. The Plan also issues loans to participants that are secured by the balances in the respective participants' accounts. Administrative expenses for the year ended December 31, 2017 and 2016 were \$56,510 and \$19,120, respectively, and are included in deductions from net assets in the statement of changes in net assets available for Plan benefits.
5. Plan Termination	Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time, and to amend or terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in their employer contributions.
	On January 31, 2014, the Company requested that a favorable letter of determination be issued to the Company to confirm that the Plan, as amended and restated, is qualified in its entirety pursuant to the applicable requirements of the Internal Revenue Code ("IRC").
6. Tax Status	The Internal Revenue Service ("IRS") has determined and informed the Company by a letter dated September 2, 2014, that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified and the related trust is tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.
	U.S. GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits relative to the Plan for any tax periods in progress.
7. Risks and Uncertainties	The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Subsequent
8. The Plan has evaluated subsequent events through June 25, 2018, the date the financial statements were
Events issued.

10

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

ADMINISTRATIVE COMMITTEE OF THE
INTERFACE, INC. SAVINGS AND
INVESTMENT PLAN

By: /s/ Bruce A. Hausmann
Bruce A. Hausmann, Member

Date: June 25, 2018

Table of Contents

EXHIBIT INDEX

Exhibit No. Document

23.1 Consent of Independent Registered Public Accounting Firm

12

Table of Contents**SUPPLEMENTAL SCHEDULE****Interface, Inc.****Savings and Investment Plan****EIN: 58-1451243 Plan #: 002****Form 5500, Schedule H, Line 4i****Schedule of Assets (Held at End of Year)****December 31, 2017**

(b) Identity of issuer, (a) borrower, lessor, or similar party	(c) Description of Investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost**	(e) Current Value
Common Collective Trusts:			
* T. Rowe Price Blue Chip Growth Trust	510,142 units		\$ 18,252,868
* T. Rowe Price Retirement Balanced	7,624 units		109,324
* T. Rowe Price Retirement 2005 Trust	13,227 units		195,369
* T. Rowe Price Retirement 2010 Trust	27,365 units		421,413
* T. Rowe Price Retirement 2015 Trust	119,665 units		1,963,695
* T. Rowe Price Retirement 2020 Trust	341,976 units		5,960,640
* T. Rowe Price Retirement 2025 Trust	360,022 units		6,617,201
* T. Rowe Price Retirement 2030 Trust	402,912 units		7,752,033
* T. Rowe Price Retirement 2035 Trust	327,727 units		6,515,205
* T. Rowe Price Retirement 2040 Trust	337,925 units		6,863,249
* T. Rowe Price Retirement 2045 Trust	236,743 units		4,827,192
* T. Rowe Price Retirement 2050 Trust	181,422 units		3,699,194
* T. Rowe Price Retirement 2055 Trust	51,506 units		1,049,171
* T. Rowe Price Retirement 2060 Trust	42,683 units		559,569
* T. Rowe Price Stable Value Fund	17,693,714 units		17,693,714
Total Common Collective Trusts			\$ 82,479,837
Federated High Yield Institutional Fund	504,347 shares		5,043,470
Oppenheimer International Bond Fund	84,741 shares		505,056
Vanguard Total Bond Yield Index Adm Fund	156,396 shares		1,681,259
* T. Rowe Price Balanced Fund	405,634 shares		9,869,071
Invesco Developing Markets Fund	3,933 shares		147,589

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Massmut Select Midcap GR EQ Fund	127,732 shares		2,742,409
MFS Value Fund	258,933 shares		10,502,323
Nuveen Small Cap Value Fund	1,548 shares		41,150
Oakmark International Institutional Fund	77,700 shares		2,221,456
Oppenheimer International Growth	10,307 shares		449,589
Parnassus Core Equity Institutional Fund	33,675 shares		1,438,953
* T. Rowe Price QM US SCG EQ Inv Fund	78,280 shares		2,731,175
U.S. Treasury Money Fund	2,065,627 shares		2,065,627
Vanguard Developed Markets Ind Adm Fund	32,136 shares		463,082
Vanguard Midcap Admiral Fund	2,258 shares		432,566
Vanguard Small Cap Index Adm Fund	4,052 shares		286,828
Vanguard 500 Index Admiral Fund	34,801 shares		8,589,537
Wells Fargo SPE Midcap Value Fund	102,740 shares		3,940,092
Total Mutual Funds			\$ 53,151,232
		Various publicly traded equity	
Charles Schwab - Self-Directed Brokerage		investments	1,099,137
* Interface, Inc. Stock Fund - Employer Securities	270,892 shares		6,812,937
Total Investments per Financial Statements			\$ 143,543,143
* Participant Loans	4.25% - 5.25%	-0-	5,342,297
Total Investments per Form 5500			\$ 148,885,440

*Pa

** The Cost of Participant-directed investments is not required to be disclosed