UNITED THERAPEUTICS Corp Form 10-Q October 27, 2015 Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549	
FORM 10-Q	
(Mark One)	
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANG ACT OF 1934.	ЗE
For the quarterly period ended September 30, 2015	
OR	
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHAN	GF

o 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 0-26301

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United Therapeutics Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

52-1984749 (I.R.S. Employer Identification No.)

1040 Spring Street, Silver Spring, MD

(Address of Principal Executive Offices)

20910 (Zip Code)

(301) 608-9292

(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 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 smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer X

Accelerated filer O

Non-accelerated filer O (do not check if a smaller reporting company) Smaller reporting company O

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

The number of shares outstanding of the issuer s common stock, par value \$.01 per share, as of October 21, 2015 was 45,629,412.

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

UNITED THERAPEUTICS CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

Assets Current assets: 765,205 \$ 397,697 Cash and cash equivalents 1766,205 \$ 397,697 Marketable investments 179,642 162,2287 Accounts receivable, net of allowance of none for 2015 and 2014 179,642 162,2287 Inventories, net 80,844 66,927 Other current assets 46,202 49,444 Total current assets 1,228,523 974,197 Marketable investments 91,706 122,658 Goodwill and other intangibles, net 28,533 29,465 Property, plant and equipment, net 474,770 478,421 Deferred tax assets, set 182,600 181,721 Other assets 153,101 97,948 Total assets \$ 2,159,233 \$ 1,884,410 Liabilities and Stockholders Equity Equity Current liabilities 30,017 126,414 Accounts payable and accrued expenses \$ 113,346 \$ 85,382 Convertible notes 30,017 126,414 Share tracking awards plan 214,017 282,101		September 30, 2015 (Unaudited)	December 31, 2014
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Other assets 153,101 97,948 Total assets 2,159,233 \$ 1,884,410 Liabilities and Stockholders Equity Current liabilities: Accounts payable and accrued expenses \$ 113,346 \$ 85,382 Convertible notes 30,017 126,414 Share tracking awards plan 214,017 282,101 Other current liabilities 199,962 10,413 Total current liabilities 199,962 10,413 Other liabilities 679,864 504,310 Other liabilities 679,864 618,836 Commitments and contingencies: 122,922 114,526 Total liabilities 679,864 618,836 Commitments and contingencies: 12,499 23,218 Tereferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued \$ 12,499 23,218 Stockholders equity 56,200 685 660 Common stock, par value \$.01, 245,000,000 shares authorized, no shares issued \$ 57,242 50,411 Common stock, par value \$.01, 245,000,000 shares authorized, no shares issued, and 45,583,017 and 47,107,			478,421
Liabilities and Stockholders Equity Urrent liabilities: Current payable and accrued expenses \$ 113,346 \$ 85,382 Convertible notes 30,017 126,414 Share tracking awards plan 214,017 282,101 Other current liabilities 199,962 10,413 Total current liabilities 557,342 504,310 Other liabilities 557,342 504,310 Other liabilities 679,864 618,836 Total liabilities 679,864 618,836 Commitments and contingencies: 12,499 23,218 Temporary equity 12,499 23,218 Stockholders equity: 12,499 23,218 Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued 58,282 58,282 Ceries A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued. 58,282 58,282 Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 58,582 685 660 Additional paid-in capital 1,723,888 1,376,141 1,723,888 1,376,141	Deferred tax assets, net	182,600	181,721
Liabilities and Stockholders Equity Current liabilities: 30,017 126,414 Accounts payable and accrued expenses 30,017 126,414 Share tracking awards plan 214,017 282,101 Other current liabilities 199,962 10,413 Total current liabilities 557,342 504,310 Other liabilities 679,864 618,836 Total liabilities 679,864 618,836 Commitments and contingencies: 12,499 23,218 Stockholders equity: 12,499 23,218 Stockholders equity: Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued \$ 57,242 \$ 504,310 Common stock, par value \$.01, 245,000,000 shares authorized, no shares issued \$ 579,864 \$ 618,836 Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued \$ 579,864 \$ 685 \$ 660 Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 \$ 685 \$ 660 Shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and December 31, 2014, respectively \$ 685 \$ 660	Other assets	153,101	97,948
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Current liabilities: Accounts payable and accrued expenses \$ 113,346 \$ 85,382 Convertible notes 30,017 126,414 Share tracking awards plan 214,017 282,101 Other current liabilities 199,962 10,413 Total current liabilities 557,342 504,310 Other liabilities 679,864 618,836 Total liabilities 679,864 618,836 Commitments and contingencies: 12,499 23,218 Temporary equity 12,499 23,218 Stockholders equity: Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued \$ 12,499 23,218 Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued \$ 650 \$ 660 Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 \$ 660 \$ 685 \$ 660 Additional paid-in capital 1,723,888 1,376,141 \$ 685 \$ 660 Additional paid-in capital 1,723,888 1,376,141 \$ 685 \$ 600 Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882)			
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Other current liabilities 199,962 10,413 Total current liabilities 557,342 504,310 Other liabilities 122,522 114,526 Total liabilities 679,864 618,836 Commitments and contingencies: 87 Temporary equity 12,499 23,218 Stockholders equity: 87 Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued 88 Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued 88 Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 86 shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and 685 660 Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	Convertible notes	30,017	126,414
Total current liabilities 557,342 504,310 Other liabilities 122,522 114,526 Total liabilities 679,864 618,836 Commitments and contingencies: Temporary equity 12,499 23,218 Stockholders equity: Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 Shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and December 31, 2014, respectively 685 660 Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	Share tracking awards plan	214,017	282,101
Other liabilities 122,522 114,526 Total liabilities 679,864 618,836 Commitments and contingencies: Temporary equity 12,499 23,218 Stockholders equity: Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and December 31, 2014, respectively 685 660 Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, (1,850,882) (1,185,825)	Other current liabilities	199,962	10,413
Total liabilities 679,864 618,836 Commitments and contingencies: 12,499 23,218 Temporary equity 12,499 23,218 Stockholders equity: **** Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued **** Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued **** Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 **** shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and 685 660 Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	Total current liabilities	557,342	504,310
Commitments and contingencies: Temporary equity 12,499 23,218 Stockholders equity: Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and December 31, 2014, respectively 685 660 Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	Other liabilities	122,522	114,526
Temporary equity 12,499 23,218 Stockholders equity: Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and December 31, 2014, respectively 685 660 Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	Total liabilities	679,864	618,836
Stockholders equity: Preferred stock, par value \$.01, 10,000,000 shares authorized, no shares issued Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and December 31, 2014, respectively 685 660 Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	Commitments and contingencies:		
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Series A junior participating preferred stock, par value \$.01, 100,000 shares authorized, no shares issued Common stock, par value \$.01, 245,000,000 shares authorized, 68,460,587 and 65,988,561 Shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and December 31, 2014, respectively 685 660 Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	Stockholders equity:		
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Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, (1,850,882) (1,185,825)	shares issued, and 45,583,017 and 47,107,709 shares outstanding at September 30, 2015 and		
Additional paid-in capital 1,723,888 1,376,141 Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, (1,850,882) (1,185,825)	December 31, 2014, respectively	685	660
Accumulated other comprehensive loss (21,930) (16,734) Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	·	1,723,888	1,376,141
Treasury stock, 22,877,570 and 18,880,852 shares at September 30, 2015 and December 31, 2014, respectively (1,850,882) (1,185,825)	Accumulated other comprehensive loss	(21,930)	(16,734)
2014, respectively (1,850,882) (1,185,825)	•		, , ,
		(1,850,882)	(1,185,825)
	•		

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Total stockholders equity	1,466,870	1,242,356
Total liabilities and stockholders equity	\$ 2,159,233 \$	1,884,410

See accompanying notes to consolidated financial statements.

UNITED THERAPEUTICS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Mon Septem 2015		ed 2014	Nine Mont Septem		2014
	(Unau	dited)		(Unau	dited)	
Revenues:						
Net product sales	\$ 384,708	\$	328,269 \$	1,056,374	\$	934,152
Other	1,513		1,681	4,512		8,004
Total revenues	386,221		329,950	1,060,886		942,156
Operating expenses:						
Research and development	9,527		118,876	169,150		171,067
Selling, general and administrative	(17,276)		202,507	304,051		300,753
Cost of product sales	6,891		40,803	43,727		110,113
Total operating expenses	(858)		362,186	516,928		581,933
Operating income (loss)	387,079		(32,236)	543,958		360,223
Other (expense) income:						
Interest expense	(834)		(4,709)	(4,189)		(14,065)
Other, net	618		1,112	(1,364)		4,258
Gain on sale of intangible asset	350,000			350,000		
Total other income (expense), net	349,784		(3,597)	344,447		(9,807)
Income (loss) before income taxes	736,863		(35,833)	888,405		350,416
Income tax (expense) benefit	(272,438)		10,596	(341,410)		(126,277)
Net income (loss)	\$ 464,425	\$	(25,237) \$	546,995	\$	224,139
Net income (loss) per common share:						
Basic	\$ 10.20	\$	(0.53) \$	11.86	\$	4.63
Diluted	\$ 9.24	\$	(0.53) \$	10.58	\$	4.12
Weighted average number of common shares outstanding:						
Basic	45,531		47,297	46,105		48,427
Diluted	50,239		47,297	51,715		54,360

See accompanying notes to consolidated financial statements.

UNITED THERAPEUTICS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three Mon Septem			Nine Mon Septen	ths End iber 30,	
	2015		2014	2015		2014
	(Unau	dited)		(Unau	ıdited)	
Net income (loss)	\$ 464,425	\$	(25,237) \$	546,995	\$	224,139
Other comprehensive income (loss):						
Foreign currency translation loss	(2,107)		(2,538)	(3,660)		(2,156)
Defined benefit pension plan:						
Prior service cost arising during period, net of						
tax						(2,415)
Actuarial (loss) gain arising during period, net						
of tax				(2,110)		221
Less: amortization of actuarial loss and prior						
service cost included in net periodic pension						
cost, net of tax	148		226	629		678
Total defined benefit pension plan, net	148		226	(1,481)		(1,516)
Unrealized (loss) gain on available-for-sale						
securities, net of tax	(41)		9	(55)		(75)
Other comprehensive loss, net of tax	(2,000)		(2,303)	(5,196)		(3,747)
Comprehensive income (loss)	\$ 462,425	\$	(27,540) \$	541,799	\$	220,392

See accompanying notes to consolidated financial statements.

UNITED THERAPEUTICS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended September 30,		
	2015 (Un:	audited)	2014
Cash flows from operating activities:	(0.1.		
Net income	\$ 546,995	\$	224,139
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,960		23,313
Share-based compensation expense	162,886		157,730
Gain on sale of intangible asset	(350,000)		
Amortization of debt discount and debt issue costs	5,508		9,968
Amortization of discount or premium on investments	1,866		4,195
Other	(1,528)		1,478
Excess tax benefits from share-based compensation	(31,379)		(23,183)
Changes in operating assets and liabilities:			
Accounts receivable	(17,356)		(13,324)
Inventories	(7,784)		(16,870)
Accounts payable and accrued expenses	25,825		35,855
Other assets and liabilities	(2,747)		(138,647)
Net cash provided by operating activities	357,246		264,654
Cash flows from investing activities:			
Purchases of property, plant and equipment	(18,256)		(45,157)
Purchases of held-to-maturity investments	(62,781)		(115,170)
Maturities of held-to-maturity investments	232,424		491,833
Gain on sale of intangible asset	350,000		
Purchase of investments under the cost method, net	(54,217)		(45,000)
Net cash provided by investing activities	447,170		286,506
Cash flows from financing activities:			
Principal payments of debt	(107,116)		