

LANNETT CO INC  
Form 10-Q  
May 10, 2016  
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# 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 AND EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016**

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

**FOR THE TRANSITION PERIOD FROM                      TO**

**Commission File No. 001-31298**

### **LANNETT COMPANY, INC.**

(Exact Name of Registrant as Specified in its Charter)

**State of Delaware**  
(State of Incorporation)

**23-0787699**  
(I.R.S. Employer I.D. No.)

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9000 State Road

Philadelphia, PA 19136

(215) 333-9000

(Address of principal executive offices and telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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-12 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each class of the registrant's common stock, as of the latest practical date.

Class	Outstanding as of April 30, 2016
Common stock, par value \$0.001 per share	36,747,501

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(In thousands, except share and per share data)

	(Unaudited)	
	March 31, 2016	June 30, 2015
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 225,446	\$ 200,340
Investment securities	12,959	13,467
Accounts receivable, net	183,624	91,103
Inventories	116,511	46,191
Prepaid income taxes	15,253	
Deferred tax assets	23,808	16,270
Other current assets	23,995	3,175
Total current assets	601,596	370,546
<b>Property, plant and equipment, net</b>	<b>220,199</b>	<b>94,556</b>
<b>Intangible assets, net</b>	<b>598,418</b>	<b>29,090</b>
<b>Goodwill</b>	<b>313,451</b>	<b>141</b>
<b>Deferred tax assets</b>	<b>10,036</b>	<b>12,495</b>
<b>Other assets</b>	<b>8,676</b>	<b>1,938</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,752,376</b>	<b>\$ 508,766</b>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 33,038	\$ 19,195
Accrued expenses	9,181	4,928
Accrued payroll and payroll-related expenses	6,717	10,397
Rebates payable	16,993	7,553
Royalties payable	5,779	
Restructuring liability	3,008	
Accrued interest payable	10,823	
Settlement liability	10,700	
Income taxes payable		1,340
Acquisition-related contingent consideration	35,000	
Current portion of long-term debt	45,640	135
Total current liabilities	176,879	43,548
<b>Long-term debt, net</b>	<b>1,008,212</b>	<b>874</b>
<b>Restructuring liability</b>	<b>77</b>	
<b>Settlement liability</b>	<b>13,414</b>	
<b>Other liabilities</b>	<b>6,268</b>	<b>578</b>
<b>TOTAL LIABILITIES</b>	<b>1,204,850</b>	<b>45,000</b>
Commitments and Contingencies (Note 13 and 14)		

**STOCKHOLDERS EQUITY**

<b>Common stock</b> (\$0.001 par value, 100,000,000 shares authorized; 37,112,119 and 36,783,381 shares issued; 36,569,363 and 36,264,585 shares outstanding at March 31, 2016 and June 30, 2015, respectively)	37	37
<b>Additional paid-in capital</b>	<b>279,874</b>	236,178
<b>Retained earnings</b>	<b>274,784</b>	233,573
<b>Accumulated other comprehensive loss</b>	<b>(280)</b>	(295)
<b>Treasury stock</b> (542,756 and 518,796 shares at March 31, 2016 and June 30, 2015, respectively)	<b>(7,277)</b>	(6,080)
Total Lannett Company, Inc. stockholders equity	<b>547,138</b>	463,413
<b>Noncontrolling Interest</b>	<b>388</b>	353
Total stockholders equity	<b>547,526</b>	463,766
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 1,752,376</b>	<b>\$ 508,766</b>

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

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## LANNETT COMPANY, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except share and per share data)

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
<b>Net sales</b>	\$ 163,712	\$ 99,352	\$ 397,204	\$ 307,561
<b>Settlement agreement</b>	(23,598)		(23,598)	
<b>Total net sales</b>	<b>140,114</b>	99,352	<b>373,606</b>	307,561
<b>Cost of sales</b>	<b>75,345</b>	23,694	<b>155,964</b>	73,094
<b>Amortization of intangibles</b>	<b>7,278</b>	20	<b>11,079</b>	61
<b>Gross profit</b>	<b>57,491</b>	75,638	<b>206,563</b>	234,406
<b>Operating expenses:</b>				
Research and development expenses	16,495	9,159	32,092	23,358
Selling, general, and administrative expenses	16,157	11,617	46,359	32,923
Acquisition and integration-related expenses	1,473	587	23,000	2,656
Restructuring expenses	4,749		4,749	
Total operating expenses	38,874	21,363	106,200	58,937
<b>Operating income</b>	<b>18,617</b>	54,275	<b>100,363</b>	175,469
<b>Other income (loss):</b>				
Investment income (loss)	204	(8)	69	895
Interest expense	(26,988)	(8)	(38,820)	(119)
Other	(46)	(26)	(76)	(6)
Total other income (loss)	(26,830)	(42)	(38,827)	770
<b>Income (loss) before income tax</b>	<b>(8,213)</b>	54,233	<b>61,536</b>	176,239
<b>Income tax expense (benefit)</b>	<b>(2,743)</b>	17,973	<b>20,270</b>	60,208
<b>Net income (loss)</b>	<b>(5,470)</b>	36,260	<b>41,266</b>	116,031
Less: Net income attributable to noncontrolling interest	20	27	55	55
<b>Net income (loss) attributable to Lannett Company, Inc.</b>	<b>\$ (5,490)</b>	\$ 36,233	<b>\$ 41,211</b>	\$ 115,976
<b>Earnings (loss) per common share attributable to Lannett Company, Inc.:</b>				
Basic	\$ (0.15)	\$ 1.01	\$ 1.13	\$ 3.25
Diluted	\$ (0.15)	\$ 0.97	\$ 1.10	\$ 3.13
<b>Weighted average common shares outstanding:</b>				
Basic	36,495,961	35,880,954	36,398,030	35,715,061
Diluted	36,495,961	37,210,138	37,383,742	37,082,138

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



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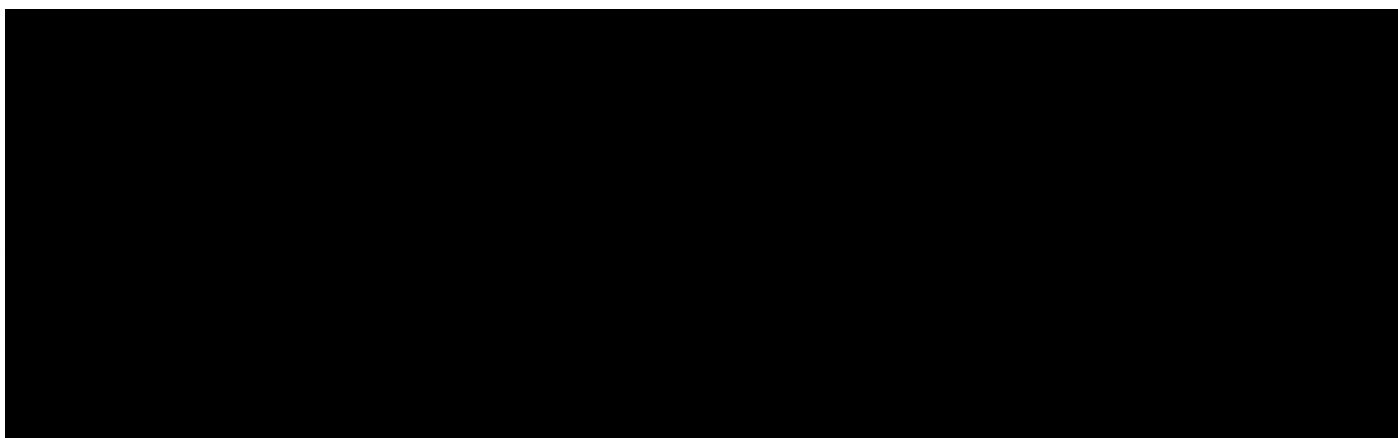
**LANNETT COMPANY, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(UNAUDITED)**

(In thousands)

<b>Three months ended</b>		<b>Nine months ended</b>	
<b>March 31,</b>		<b>March 31,</b>	
<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>



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



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**LANNETT COMPANY, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

**(UNAUDITED)**

(In thousands)

		Stockholders Equity Attributable to Lannett Company Inc.				Stockholders Equity		Total
Common Stock	Additional	Retained	Accumulated	Treasury	Attributable to	Noncontrolling		
Shares	Paid-In	Earnings	Other	Stock	Lannett Co., Inc.	Interest		
Issued	Capital		Comprehensive					
Amount			Loss					