

LVB Acquisition, Inc.
Form 10-Q
October 14, 2014
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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 August 31, 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 000-54505

Commission File Number 001-15601

LVB ACQUISITION, INC.
BIOMET, INC.
(Exact name of registrant as specified in its charter)

| | |
|--|--------------------------------------|
| Delaware | 26-0499682 |
| Indiana | 35-1418342 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| 56 East Bell Drive, Warsaw, Indiana | 46582 |
| (Address of principal executive offices) | (Zip Code) |
| (574) 267-6639 | |
| (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.

LVB ACQUISITION, INC. Yes No

BIOMET, INC. 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

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(§ 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).

LVB ACQUISITION, INC. Yes No

BIOMET, INC. 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):

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| LVB ACQUISITION, INC. | | | |
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| BIOMET, INC. | | | |
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |

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

LVB ACQUISITION, INC. Yes No

BIOMET, INC. Yes No

The number of shares of the registrants’ common stock outstanding as of September 30, 2014:

LVB ACQUISITION, INC. 552,552,033 shares of common stock

BIOMET, INC. 1,000 shares of common stock

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PART I. FINANCIAL INFORMATION

Explanatory Note

This Form 10-Q is a combined quarterly report being filed separately by two registrants: LVB Acquisition, Inc. (“LVB”) and Biomet, Inc. (“Biomet”). Unless the context indicates otherwise, any reference in this report to the “Company,” “we,” “us” and “our” refer to LVB, Biomet and their subsidiaries. Each registrant hereto is filing on its own behalf all of the information contained in this quarterly report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

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Item 1. Condensed Consolidated Financial Statements.
 LVB Acquisition, Inc. and Subsidiaries Condensed Consolidated Balance Sheets
 (in millions, except shares)

| | (Unaudited) | |
|--|-----------------|--------------|
| | August 31, 2014 | May 31, 2014 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$192.0 | \$247.6 |
| Accounts receivable, less allowance for doubtful accounts receivables of \$34.8 (\$31.9 at May 31, 2014) | 530.4 | 577.3 |
| Inventories | 724.2 | 693.4 |
| Deferred income taxes | 149.2 | 149.9 |
| Prepaid expenses and other | 184.4 | 202.9 |
| Total current assets | 1,780.2 | 1,871.1 |
| Property, plant and equipment, net | 723.3 | 716.0 |
| Investments | 28.2 | 12.5 |
| Intangible assets, net | 3,350.8 | 3,439.6 |
| Goodwill | 3,627.8 | 3,634.4 |
| Other assets | 86.8 | 93.0 |
| Total assets | \$9,597.1 | \$9,766.6 |
| Liabilities & Shareholders' Equity | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$132.8 | \$133.1 |
| Accounts payable | 120.4 | 135.3 |
| Accrued interest | 36.8 | 53.4 |
| Accrued wages and commissions | 119.0 | 168.7 |
| Other accrued expenses | 316.4 | 354.7 |
| Total current liabilities | 725.4 | 845.2 |
| Long-term liabilities: | | |
| Long-term debt, net of current portion | 5,603.5 | 5,587.3 |
| Deferred income taxes | 939.3 | 968.6 |
| Other long-term liabilities | 252.7 | 256.3 |
| Total liabilities | 7,520.9 | 7,657.4 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock, par value \$0.01 per share; 740,000,000 shares authorized; 552,531,186 and 552,484,996 shares issued and outstanding | 5.5 | 5.5 |
| Contributed and additional paid-in capital | 5,685.4 | 5,681.5 |
| Accumulated deficit | (3,609.8 |) (3,617.1 |
| Accumulated other comprehensive income (loss) | (4.9 |) 39.3 |
| Total shareholders' equity | 2,076.2 | 2,109.2 |
| Total liabilities and shareholders' equity | \$9,597.1 | \$9,766.6 |

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

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LVB Acquisition, Inc. and Subsidiaries Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(in millions)

| | (Unaudited) | |
|---|----------------------------|-----------------|
| | For the Three Months Ended | |
| | August 31, 2014 | August 31, 2013 |
| Net sales | \$774.8 | \$730.7 |
| Cost of sales | 215.9 | 208.0 |
| Gross profit | 558.9 | 522.7 |
| Selling, general and administrative expense | 361.7 | 313.3 |
| Research and development expense | 42.8 | 37.5 |
| Amortization | 71.9 | 75.5 |
| Operating income | 82.5 | 96.4 |
| Interest expense | 80.1 | 87.6 |
| Other (income) expense | (4.2 |) 2.2 |
| Other expense, net | 75.9 | 89.8 |
| Income before income taxes | 6.6 | 6.6 |
| Benefit from income taxes | (0.7 |) (24.5 |
| Net income | 7.3 | 31.1 |
| Other comprehensive income (loss), net of tax: | | |
| Change in unrealized holding value on available-for-sale securities | 0.1 | — |
| Interest rate swap unrealized gains (losses) | 3.6 | |