

CARDINAL HEALTH INC  
Form 10-Q  
May 06, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**Form 10-Q**

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

For the quarter ended March 31, 2011

Commission File Number 1-11373

**Cardinal Health, Inc.**

(Exact name of registrant as specified in its charter)

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**Ohio**  
(State or other jurisdiction of

**31-0958666**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**7000 CARDINAL PLACE, DUBLIN, OHIO 43017**

(Address of principal executive offices and zip code)

**(614) 757-5000**

(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. 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.

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 Registrant's Common Shares outstanding at the close of business on April 30, 2011 was as follows:

Common Shares, without par value: 350,586,487

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**CARDINAL HEALTH, INC. AND SUBSIDIARIES**

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\* Items not listed are inapplicable.

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1: Financial Statements****CARDINAL HEALTH, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS****(Unaudited)****(in millions, except per Common Share amounts)**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Revenue	\$ 26,071.4	\$ 24,342.8	\$ 75,880.7	\$ 74,043.2
Cost of products sold	24,909.2	23,332.7	72,762.0	71,166.6
Gross margin	1,162.2	1,010.1	3,118.7	2,876.6
Operating expenses:				
Distribution, selling, general and administrative expense	697.3	628.6	1,911.1	1,819.8
Restructuring and employee severance	6.2	14.4	10.6	84.3
Acquisition related costs	2.5	(0.5)	21.8	0.1
Impairments and loss on sale of assets	4.6	4.2	8.2	28.2
Litigation (credits)/charges, net	4.3	(2.9)	11.9	(28.8)
Operating earnings	447.3	366.3	1,155.1	973.0
Other income, net	(6.2)	(1.4)	(19.4)	(15.7)
Interest expense, net	25.1	27.7	69.0	88.9
Loss on extinguishment of debt	0.0	0.0	0.0	39.9
(Gain)/loss on sale of investment in CareFusion	3.3	(23.2)	(71.5)	(43.3)
Earnings before income taxes and discontinued operations	425.1	363.2	1,177.0	903.2
Provision for income taxes	175.6	138.4	418.2	510.0
Earnings from continuing operations	249.5	224.8	758.8	393.2
Earnings/(loss) from discontinued operations, net of tax	(3.5)	(2.4)	(2.5)	25.5
Net earnings	\$ 246.0	\$ 222.4	\$ 756.3	\$ 418.7
Basic earnings/(loss) per Common Share:				
Continuing operations	\$ 0.72	\$ 0.63	\$ 2.18	\$ 1.10
Discontinued operations	(0.01)	(0.01)	(0.01)	0.07
Net basic earnings per Common Share	\$ 0.71	\$ 0.62	\$ 2.17	\$ 1.17
Diluted earnings/(loss) per Common Share:				
Continuing operations	\$ 0.71	\$ 0.62	\$ 2.16	\$ 1.09
Discontinued operations	(0.01)	(0.01)	(0.01)	0.07
Net diluted earnings per Common Share	\$ 0.70	\$ 0.61	\$ 2.15	\$ 1.16

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Weighted average number of Common Shares outstanding:

Basic	348.5	358.7	348.3	359.0
Diluted	352.9	361.8	351.8	361.2
Cash dividends declared per Common Share	\$ 0.195	\$ 0.175	\$ 0.585	\$ 0.525

See notes to condensed consolidated financial statements.

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**CARDINAL HEALTH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in millions)

	March 31, 2011 (Unaudited)	June 30, 2010
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 1,961.8	\$ 2,755.3
Trade receivables, net	6,282.5	5,170.6
Inventories	7,717.7	6,355.9
Prepaid expenses and other	723.4	637.1
<b>Total current assets</b>	<b>16,685.4</b>	<b>14,918.9</b>
Property and equipment, at cost	3,288.3	3,093.7
Accumulated depreciation and amortization	(1,818.5)	(1,624.9)
Property and equipment, net	1,469.8	1,468.8
Other assets:		
Investment in CareFusion	0.0	691.5
Goodwill and other intangibles, net	4,265.7	2,253.2
Other	775.9	657.8
<b>Total assets</b>	<b>\$ 23,196.8</b>	<b>\$ 19,990.2</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 11,961.5	\$ 9,494.9
Current portion of long-term obligations and other short-term borrowings	113.7	233.2
Other accrued liabilities	1,685.9	1,809.5
<b>Total current liabilities</b>	<b>13,761.1</b>	<b>11,537.6</b>
Long-term obligations, less current portion	2,362.1	1,896.1
Deferred income taxes and other liabilities	1,416.8	1,280.4
Shareholders' equity:		
Preferred Shares, without par value:		
Authorized 0.5 million shares, Issued none	0.0	0.0
Common Shares, without par value:		
Authorized 755.0 million shares, Issued 363.6 million shares at March 31, 2011 and June 30, 2010	2,887.1	2,889.9
Retained earnings	3,189.8	2,647.2
Common Shares in treasury, at cost: 13.3 million shares and 7.2 million shares at March 31, 2011 and June 30, 2010, respectively	(487.2)	(331.0)
Accumulated other comprehensive income	67.1	70.0
<b>Total shareholders' equity</b>	<b>5,656.8</b>	<b>5,276.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 23,196.8</b>	<b>\$ 19,990.2</b>

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See notes to condensed consolidated financial statements.

**Table of Contents****CARDINAL HEALTH INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(in millions)**

	<b>Nine Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 756.3	\$ 418.7
(Earnings)/ loss from discontinued operations	2.5	(25.5)
Earnings from continuing operations	758.8	393.2
Adjustments to reconcile earnings from continuing operations to net cash from operations:		
Depreciation and amortization	239.2	194.4
Loss on extinguishment of debt	0.0	39.9
Gain on sale of investment in CareFusion	(71.5)	(43.3)
Impairments and loss on sale of assets	8.2	28.2
Share-based compensation	60.4	79.0
Provision for bad debts	22.2	33.2
Change in operating assets and liabilities, net of effects from acquisitions:		
Increase in trade receivables	(578.9)	(365.4)
Increase in inventories	(1,048.1)	