

BOSTON SCIENTIFIC CORP  
Form 10-Q  
October 29, 2018  
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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 EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

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

Commission File No. 1-11083

BOSTON SCIENTIFIC CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

04-2695240

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

300 BOSTON SCIENTIFIC WAY, MARLBOROUGH, MASSACHUSETTS 01752-1234

(Address of principal executive offices) (zip code)

(508) 683-4000

(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 every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-Accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares outstanding as of October 23, 2018
Common Stock, \$0.01 par value	1,383,800,781

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FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BOSTON SCIENTIFIC CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales	\$2,393	\$2,222	\$7,262	\$6,640
Cost of products sold	672	637	2,084	1,919
Gross profit	1,720	1,585	5,179	4,721
Operating expenses:				
Selling, general and administrative expenses	870	800	2,616	2,408
Research and development expenses	289	254	825	734
Royalty expense	17	16	52	50
Amortization expense	148	139	437	424
Intangible asset impairment charges	—	3	35	3
Contingent consideration expense (benefit)	(13 )	(4 )	(12 )	(78 )
Restructuring charges (credits)	3	12	20	17
Litigation-related net charges (credits)	18	(12 )	18	196
	1,333	1,208	3,992	3,754
Operating income (loss)	388	377	1,187	967
Other income (expense):				
Interest expense	(58 )	(57 )	(177 )	(172 )
Other, net	126	(11 )	116	(89 )
Income (loss) before income taxes	456	309	1,126	706
Income tax expense (benefit)	24	26	(159 )	(13 )
Net income (loss)	\$432	\$283	\$1,285	\$719
Net income (loss) per common share — basic	\$0.31	\$0.21	\$0.93	\$0.53
Net income (loss) per common share — assuming dilution	\$0.31	\$0.20	\$0.92	\$0.52
Weighted-average shares outstanding				
Basic	1,382.8	1,372.0	1,380.0	1,369.1
Assuming dilution	1,403.9	1,394.1	1,399.8	1,391.8

See notes to the unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three		Nine Months	
	Months	Months	Months	Months
	Ended	Ended	Ended	Ended
	September	September	September	September
	30,	30,	30,	30,
(in millions)	2018	2017	2018	2017
Net income (loss)	\$432	\$283	\$1,285	\$719
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(6 )	25	(42 )	46
Net change in derivative financial instruments	47	(24 )	125	(100 )
Net change in available-for-sale securities	—	1	—	3
Net change in defined benefit pensions and other items	—	—	—	(1 )
Total other comprehensive income (loss)	40	2	82	(52 )
Total comprehensive income (loss)	\$472	\$285	\$1,367	\$667

See notes to the unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)	As of	
	September	December
	30, 2018	31, 2017
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 168	\$ 188
Trade accounts receivable, net	1,580	1,548
Inventories	1,134	1,078
Prepaid income taxes	43	66
Other current assets	1,045	942
Total current assets	3,971	3,822
Property, plant and equipment, net	1,730	1,697
Goodwill	7,588	6,998
Other intangible assets, net	6,297	5,837
Other long-term assets	794	688
<b>TOTAL ASSETS</b>	<b>\$20,379</b>	<b>\$ 19,042</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current debt obligations	\$ 1,820	\$ 1,801
Accounts payable	453	530
Accrued expenses	2,469	2,456
Other current liabilities	340	867
Total current liabilities	5,082	5,654
Long-term debt	4,806	3,815
Deferred income taxes	428	191
Other long-term liabilities	1,774	2,370
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value - authorized 50,000,000 shares, none issued and outstanding		
Common stock, \$0.01 par value - authorized 2,000,000,000 shares - issued 1,631,271,283 shares as of September 30, 2018 and 1,621,062,898 shares as of December 31, 2017	16	16
Treasury stock, at cost - 247,566,270 shares as of September 30, 2018 and December 31, 2017	(1,717 )	(1,717 )
Additional paid-in capital	17,304	17,161
Accumulated deficit	(7,339 )	(8,390 )
Accumulated other comprehensive income (loss), net of tax	25	(59 )
Total stockholders' equity	8,289	7,012
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$20,379</b>	<b>\$ 19,042</b>

See notes to the unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)	Nine Months Ended September 30, 2018	2017 (restated) <sup>†</sup>
Cash provided by (used for) operating activities	\$ 291	\$ 742
Investing activities:		
Purchases of property, plant and equipment	(210 )	(240 )
Payments for acquisitions of businesses, net of cash acquired	(968 )	(392 )
Payments for investments and acquisitions of certain technologies	(148 )	(89 )
Cash provided by (used for) investing activities	(1,326 )	(721 )
Financing activities:		
Payment of contingent consideration amounts previously established in purchase accounting	(16 )	(30 )
Proceeds from short-term borrowings, net of debt issuance costs	999	—
Net increase (decrease) in commercial paper	(403 )	1,253
Proceeds from borrowings on credit facilities	569	2,156
Payments on borrowings from credit facilities	(569 )	(2,216 )
Payments on long-term borrowings	(602 )	(1,000 )
Proceeds from long-term borrowings, net of debt issuance and extinguishment costs	989	—
Cash used to net share settle employee equity awards	(54 )	(64 )
Proceeds from issuances of shares of common stock	94	79
	1,007	178



Cash provided by (used for) financing activities

Effect of foreign exchange rates on cash	(9	)	3
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(37	)	202
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	1,017		487
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$	980	\$ 690
Supplemental Information			
Stock-based compensation expense	\$	104	\$ 96
Fair value of contingent consideration recorded in 190 purchase accounting			—

			As of
			September
			30,
Reconciliation to amounts within the unaudited condensed consolidated balance sheets:			2018 2017
Cash and cash equivalents			\$168 \$210
Restricted cash and restricted cash equivalents included in Other current assets			