

ORTHOFIX INTERNATIONAL N V
Form 10-Q
May 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 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 March 31, 2007

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: 0-19961

ORTHOFIX INTERNATIONAL N.V.

(Exact name of registrant as specified in its charter)

Netherlands Antilles
(State or other jurisdiction of incorporation or organization)

N/A
(I.R.S. Employer Identification No.)

7 Abraham de Veerstraat
Curaçao
Netherlands Antilles
(Address of principal executive offices)

N/A
(Zip Code)

599-9-4658525
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer Non-Accelerated filer

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

Yes No

As of May 7, 2007, 16,540,041 shares of common stock were issued and outstanding.

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Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which relate to our business and financial outlook and which are based on our current beliefs, assumptions, expectations, estimates, forecasts and projections. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” or “continue” or other comparable terminology. These forward-looking statements are not guarantees of our future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict. Therefore, our actual outcomes and results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any such statement to reflect new information, the occurrence of future events or circumstances or otherwise.

Factors that could cause actual results to differ materially from those indicated by the forward-looking statements or that could contribute to such differences include, but are not limited to, unanticipated expenditures, changing relationships with customers, suppliers and strategic partners, unfavorable results in litigation matters, risks relating to the protection of intellectual property, changes to the reimbursement policies of third parties, changes to governmental regulation of medical devices, the impact of competitive products, changes to the competitive environment, the acceptance of new products in the market, conditions of the orthopedic industry and the economy, currency or interest rate fluctuations and the other risks described under Item 1A - “Business - Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and Part II, Item 1A - “Risk Factors” in this Form 10-Q.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Condensed Financial Statements**

CONDENSED CONSOLIDATED BALANCE SHEETS

(U.S. Dollars, in thousands except share data and per share date)

	March 31, 2007	December 31, 2006
	(Unaudited)	(Note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,805	\$ 25,881
Restricted cash	5,897	7,300
Trade accounts receivable, net	108,754	104,662
Inventories, net	78,127	70,395
Deferred income taxes	9,020	6,971
Prepaid expenses and other current assets	21,307	18,759
Total current assets	244,910	233,968
Securities and other investments	4,082	4,082
Property, plant and equipment, net	26,778	25,311
Patents and other intangible assets, net	257,692	261,159
Goodwill	314,389	313,070
Deferred taxes and other long-term assets	25,640	24,695
Total assets	\$ 873,491	\$ 862,285
Liabilities and shareholders' equity		
Current liabilities:		
Bank borrowings	\$ 2,738	\$ 78
Current portion of long-term debt	3,300	3,334
Trade accounts payable	21,104	26,051
Other current liabilities	37,758	31,577
Total current liabilities	64,900	61,040
Long-term debt	307,255	312,055
Deferred income taxes	95,471	95,019
Other long-term liabilities	1,637	1,536
Total liabilities	469,263	469,650
Contingencies (Note 16)		
Shareholders' equity:		
Common shares (16,501,062 and 16,445,859 shares issued at March 31, 2007 and December 31, 2006, respectively)	1,651	1,645
Additional paid-in capital	132,923	128,297
Retained earnings	253,500	248,433
Accumulated other comprehensive income	16,154	14,260
Total shareholders' equity	404,228	392,635
Total liabilities and shareholders' equity	\$ 873,491	\$ 862,285

The accompanying notes form an integral part of these condensed consolidated financial statements.

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FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Unaudited, U.S. Dollars, in thousands except share and per share data)	2007	2006
Net sales	\$ 117,032	\$ 81,116
Cost of sales	30,796	21,459
Gross profit	86,236	59,657
Operating expenses		
Sales and marketing	44,583	30,788
General and administrative	15,906	12,475
Research and development	6,337	2,964
Amortization of intangible assets	4,468	1,770
	71,294	47,997
Operating income	14,942	11,660
Interest expense, net	(5,664)	(145)
Other expense, net	(556)	(52)
KCI settlement, net of related costs	-	1,093
Income before minority interests and income taxes	8,722	12,556
Minority interests	(43)	-
Income before income taxes	8,679	12,556
Income tax expense	(2,412)	(4,310)
Net income		