

PATTERSON COMPANIES, INC.

Form 10-Q

March 07, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED January 26, 2013.

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

Commission File No. 0-20572

PATTERSON COMPANIES, INC.

(Exact name of registrant as specified in its charter)

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Minnesota
(State of
incorporation)

41-0886515
(I.R.S. Employer
Identification Number)

1031 Mendota Heights Road St.

Paul, Minnesota
(Address of principal executive offices)

55120
(Zip Code)

(651) 686-1600
(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 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

As of March 1, 2013, there were 106,216,544 shares of Common Stock of the registrant issued and outstanding.

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<u>Safe Harbor Statement under The Private Securities Litigation Reform Act of 1995:</u>	

This Form 10-Q for the period ended January 26, 2013, contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, which may be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "believe", "goal", or "continue", or comparable terminology that involves risks and uncertainties that are qualified in their entirety by cautionary language set forth herein under the caption "Factors That May Affect Future Operating Results," in our 2012 Annual Report on Form 10-K filed June 27, 2012 and other documents previously filed with the Securities and Exchange Commission.

Table of Contents**PART I FINANCIAL INFORMATION****PATTERSON COMPANIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)**

	January 26, 2013	April 28, 2012
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 472,449	\$ 573,781
Receivables, net	421,506	464,869
Inventory	352,646	319,952
Prepaid expenses and other current assets	41,527	44,911
Total current assets	1,288,128	1,403,513
Property and equipment, net	191,385	195,465
Long-term receivables, net	111,579	92,049
Goodwill	818,784	810,252
Identifiable intangibles, net	203,653	212,557
Other	23,961	25,532
Total assets	\$ 2,637,490	\$ 2,739,368
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 220,870	\$ 207,915
Accrued payroll expense	75,469	66,386
Other accrued expenses	110,688	130,347
Current maturities of long-term debt	50,000	125,000
Total current liabilities	457,027	529,648
Long-term debt	725,000	725,000
Other	104,730	109,518
Total liabilities	1,286,757	1,364,166
Stockholders' equity:		
Common stock	1,065	1,099
Additional paid-in capital		
Accumulated other comprehensive income	26,853	32,455
Retained earnings	1,437,400	1,456,233
Unearned ESOP shares	(114,585)	(114,585)
Total stockholders' equity	1,350,733	1,375,202
Total liabilities and stockholders' equity	\$ 2,637,490	\$ 2,739,368

See accompanying notes.

Table of Contents**PATTERSON COMPANIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****AND OTHER COMPREHENSIVE INCOME**

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 26, 2013	January 28, 2012	January 26, 2013	January 28, 2012
Net sales	\$ 915,861	\$ 895,030	\$ 2,672,279	\$ 2,599,327
Cost of sales	615,568	605,496	1,805,687	1,750,534
Gross profit	300,293	289,534	866,592	848,793
Operating expenses	210,755	199,628	616,593	593,635
Operating income	89,538	89,906	249,999	255,158
Other income and (expense):				
Interest income	1,151	1,052	3,492	3,778
Interest expense	(9,113)	(8,358)	(27,808)	(20,880)
Other gain (loss)	224	(737)	(765)	(2,291)
Income before taxes	81,800	81,863	224,918	235,765
Income taxes	28,170	28,755	78,208	85,093
Net income	\$ 53,630	\$ 53,108	\$ 146,710	\$ 150,672
Earnings per share:				
Basic	\$ 0.53	\$ 0.50	\$ 1.42	\$ 1.35
Diluted	\$ 0.52	\$ 0.50	\$ 1.41	\$ 1.34
Weighted average common shares:				
Basic	102,130	106,504	103,624	111,539
Diluted	102,896	107,206	104,374	112,226
Dividends declared per common share	\$ 0.14	\$ 0.12	\$ 0.42	\$ 0.36
Other Comprehensive Income				
Net income	\$ 53,630	\$ 53,108	\$ 146,710	\$ 150,672
Foreign currency translation loss	(2,745)	(5,630)	(5,509)	(16,615)
Cash flow hedge loss	(31)	(31)	(93)	(93)
Comprehensive Income	\$ 50,854	\$ 47,447	\$ 141,108	\$ 133,964

See accompanying notes.

Table of Contents**PATTERSON COMPANIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	Nine Months Ended	
	January 26, 2013	January 28, 2012
Operating activities:		
Net income	\$ 146,710	\$ 150,672
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,137	18,442
Amortization	14,170	11,990
ESOP compensation	17,100	544
Stock-based compensation	10,985	9,428
Excess tax benefits from stock-based compensation	(849)	(608)
Bad debt expense	492	2,216
Change in assets and liabilities, net of acquired	(28,409)	35,978
Net cash provided by operating activities	179,336	228,662
Investing activities:		
Additions to property and equipment, net	(14,259)	(25,051)
Acquisitions and equity investments, net	(14,650)	(14,193)
Net cash used in investing activities	(28,909)	(39,244)
Financing activities:		
Dividends paid	(43,745)	(39,800)
Repurchases of common stock	(140,468)	(323,519)
Proceeds from issuance of long-term debt		325,000
ESOP activity	(1,514)	(1,307)
Debt issuance costs		(1,862)
Common stock issued, net	9,875	10,496
Retirement of long-term debt	(75,000)	
Excess tax benefits from share-based compensation	849	608
Net cash used in financing activities	(250,003)	(30,384)
Effect of exchange rate changes on cash	(1,756)	(9,607)
Net increase (decrease) in cash and cash equivalents		