

CELGENE CORP /DE/  
Form 10-Q  
April 25, 2019

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 March 31, 2019

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 001-34912  
CELGENE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 22-2711928  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

86 Morris Avenue, Summit, NJ 07901  
(Address of principal executive offices) (Zip Code)

(908) 673-9000  
(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 X 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 X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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      X Accelerated filer

Non-accelerated filer      Smaller reporting company

Emerging growth company

If an emerging growth company, indicated 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  X

As of April 22, 2019, 705,259,536 shares of Common Stock, par value \$.01 per share, were outstanding.

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CELGENE CORPORATION

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

CELGENE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in millions, except per share amounts)

	Three-Month Periods Ended March 31,	
	2019	2018
Revenue:		
Net product sales	\$4,024	\$3,531
Other revenue	1	7
Total revenue	4,025	3,538
Expenses:		
Cost of goods sold (excluding amortization of acquired intangible assets)	140	135
Research and development	1,216	2,203
Selling, general and administrative	773	864
Amortization of acquired intangible assets	109	87
Acquisition/integration related charges and restructuring, net	77	31
Total costs and expenses	2,315	3,320
Operating income	1,710	218
Other income and (expense):		
Interest and investment income, net	34	13
Interest (expense)	(192 )	(166 )
Other income, net	262	965
Income before income taxes	1,814	1,030
Income tax provision	269	184
Net income	\$1,545	\$846
Net income per common share:		
Basic	\$2.20	\$1.13
Diluted	\$2.14	\$1.10
Weighted average shares:		
Basic	702.4	748.3
Diluted	720.5	768.3

See accompanying Notes to Unaudited Consolidated Financial Statements

CELGENE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in millions)

	Three-Month Periods Ended March 31,	
	2019	2018
Net income	\$1,545	\$846
Other comprehensive income (loss):		
Foreign currency translation adjustments	(10 )	16
Net unrealized gains (losses) related to cash flow hedges:		
Unrealized holding gains (losses)	51	(99 )
Tax benefit	—	1
Unrealized holding gains (losses), net of tax	51	(98 )
Reclassification adjustment for (gains) losses included in net income	(23 )	27
Tax (benefit)	—	—
Reclassification adjustment for (gains) losses included in net income, net of tax	(23 )	27
Excluded component related to cash flow hedges:		
Amortization of excluded component (gains)	(1 )	(8 )
Reclassification of realized excluded component losses to net income	1	11
Net reclassification adjustment included in net income	—	3
Net unrealized gains (losses) on debt securities available-for-sale:		
Unrealized holding (losses)	—	(9 )
Tax benefit	—	2
Unrealized holding (losses), net of tax	—	(7 )
Reclassification adjustment for losses included in net income	—	18
Tax (benefit)	—	(4 )
Reclassification adjustment for losses included in net income, net of tax	—	14
Total other comprehensive income (loss)	18	(45 )
Comprehensive income	\$1,563	\$801

See accompanying Notes to Unaudited Consolidated Financial Statements

CELGENE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)  
(Dollars in millions, except per share amounts)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,433	\$ 4,234
Debt securities available-for-sale	664	496
Equity investments with readily determinable fair values	1,594	1,312
Accounts receivable, net of allowances of \$43 and \$38 as of March 31, 2019 and December 31, 2018, respectively	2,327	2,066
Inventory	442	458
Other current assets	521	501
Total current assets	10,981	9,067
Property, plant and equipment, net	1,383	1,367
Intangible assets, net	16,101	16,213
Goodwill	8,003	8,003
Other non-current assets	1,171	830
Total assets	\$ 37,639	\$ 35,480
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 500	\$ 501
Accounts payable	340	418
Accrued expenses and other current liabilities	2,975	2,987
Income taxes payable	72	78
Current portion of deferred revenue	68	73
Total current liabilities	3,955	4,057
Deferred revenue, net of current portion	76	73
Income taxes payable	2,232	2,190
Deferred income tax liabilities	2,714	2,753
Other non-current liabilities	716	477
Long-term debt, net of discount	19,781	19,769
Total liabilities	29,474	29,319
Commitments and Contingencies (See Note 15)		
Stockholders' Equity		
Preferred stock, \$.01 par value per share, 5.0 million shares authorized; none outstanding as of March 31, 2019 and December 31, 2018	—	—
Common stock, \$.01 par value per share, 1,150.0 million shares authorized; issued 985.7 million and 981.5 million shares as of March 31, 2019 and December 31, 2018, respectively	10	10
Common stock in treasury, at cost; 280.9 million and 281.3 million shares as of March 31, 2019 and December 31, 2018, respectively	(26,298 )	(26,336 )
Additional paid-in capital	15,381	14,978
Retained earnings	19,104	17,559
Accumulated other comprehensive (loss)	(32 )	(50 )
Total stockholders' equity	8,165	6,161
Total liabilities and stockholders' equity	\$ 37,639	\$ 35,480

See accompanying Notes to Unaudited Consolidated Financial Statements

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CELGENE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(Dollars in millions)

	Three-Month Periods Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$1,545	\$846
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	47	38
Amortization	110	88
Deferred income taxes	(41)	(52)
Change in value of contingent consideration and success payments	30	(30)
Net loss on sales of debt securities available-for-sale	—	18
Fair value adjustments on equity investments	(269)	(959)
Share-based compensation expense	257	208
Share-based employee benefit plan expense	—	9
Derivative instruments	8	(22)
Other, net	2	2
Change in current assets and liabilities, excluding the effect of acquisitions and disposals:		
Accounts receivable	(271)	(47)
Inventory	16	6
Other operating assets	50	(171)
Accounts payable and other operating liabilities	(28)	(219)
Income tax payable	35	(10)
Payment of contingent consideration	(13)	(22)
Deferred revenue	(2)	(8)
Net cash provided by (used in) operating activities	1,476	(325)
Cash flows from investing activities:		
Proceeds from sales of debt securities available-for-sale	261	3,203
Purchases of debt securities available-for-sale	(428)	(62)
Capital expenditures	(69)	(88)
Proceeds from sales of equity investment securities	2	55
Purchases of equity investment securities	(61)	(118)
Payments for acquisition of business, net of cash acquired	—	(8,648)
Net cash (used in) investing activities	(295)	(5,658)
Cash flows from financing activities:		
Payment for treasury shares	—	(2,700)
Proceeds from short-term borrowing	—	1,815
Principal repayments on short-term borrowing	—	(1,815)
Proceeds from issuance of long-term debt	—	4,452
Payment of contingent consideration	(58)	