

THERMO FISHER SCIENTIFIC INC.  
 Form 10-Q  
 May 03, 2019

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 Quarter Ended March 30, 2019

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
 Commission File Number 1-8002

THERMO FISHER SCIENTIFIC INC.

(Exact name of Registrant as specified in its charter)

Delaware 04-2209186

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

168 Third Avenue  
 Waltham, Massachusetts 02451  
 (Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (781) 622-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1.00 par value	TMO	New York Stock Exchange
Floating Rate Notes due 2019	TMO 19A	New York Stock Exchange
Floating Rate Notes due 2020	TMO /20A	New York Stock Exchange
1.500% Notes due 2020	TMO 20A	New York Stock Exchange
2.150% Notes due 2022	TMO 22A	New York Stock Exchange
0.750% Notes due 2024	TMO 24A	New York Stock Exchange
2.000% Notes due 2025	TMO 25	New York Stock Exchange
1.400% Notes due 2026	TMO 26A	New York Stock Exchange
1.450% Notes due 2027	TMO 27	New York Stock Exchange
1.375% Notes due 2028	TMO 28	New York Stock Exchange
1.950% Notes due 2029	TMO 29	New York Stock Exchange
2.875% Notes due 2037	TMO 37	New York Stock Exchange

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 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 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, 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  Accelerated filer  Non-accelerated filer   
 Smaller reporting company  Emerging growth company

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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	Outstanding at March 30, 2019
Common Stock, \$1.00 par value	399,981,140

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THERMO FISHER SCIENTIFIC INC.  
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FOR THE QUARTER ENDED MARCH 30, 2019  
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## THERMO FISHER SCIENTIFIC INC.

## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEET

(Unaudited)

	March 30, 2019	December 31, 2018
(In millions except share and per share amounts)		
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,106	\$ 2,103
Accounts receivable, less allowances of \$114 and \$117	4,155	4,136
Inventories	3,124	3,005
Other current assets	1,554	1,381
Total current assets	9,939	10,625
Property, Plant and Equipment, Net	4,192	4,165
Acquisition-related Intangible Assets, Net	14,489	14,978
Other Assets	1,740	1,117
Goodwill	25,236	25,347
Total Assets	\$ 55,596	\$ 56,232
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	\$ 1,336	\$ 1,271
Accounts payable	1,462	1,615
Accrued payroll and employee benefits	704	982
Contract liabilities	967	809
Other accrued expenses	1,429	1,470
Total current liabilities	5,898	6,147
Deferred Income Taxes	2,145	2,265
Other Long-term Liabilities	3,048	2,515
Long-term Obligations	16,812	17,719
Shareholders' Equity:		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 432,856,849 and 431,566,561 shares issued	433	432
Capital in excess of par value	14,771	14,621
Retained earnings	19,439	18,696
Treasury stock at cost, 32,875,709 and 29,444,882 shares	(4,441 )	(3,665 )
Accumulated other comprehensive items	(2,509 )	(2,498 )
Total shareholders' equity	27,693	27,586

Total Liabilities and Shareholders' Equity	\$55,596	\$56,232
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The accompanying notes are an integral part of these consolidated financial statements.

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## THERMO FISHER SCIENTIFIC INC.

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

	Three Months	
	Ended	
	March	March
(In millions except per share amounts)	30,	31,
	2019	2018
Revenues		
Product revenues	\$4,720	\$4,528
Service revenues	1,405	1,325
Total revenues	6,125	5,853
Costs and Operating Expenses:		
Cost of product revenues	2,414	2,325
Cost of service revenues	1,004	948
Selling, general and administrative expenses	1,528	1,515
Research and development expenses	248	234
Restructuring and other costs, net	11	45
Total costs and operating expenses	5,205	5,067
Operating Income	920	786
Other Expense, Net	(103 )	(152 )
Income Before Income Taxes	817	634
Provision for Income Taxes	(2 )	(55 )
Net Income	\$815	\$579
Earnings per Share		
Basic	\$2.04	\$1.44
Diluted	\$2.02	\$1.43
Weighted Average Shares		
Basic	400	402
Diluted	403	406

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

## THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(Unaudited)

(In millions)	Three Months Ended March March 30, 31, 2019 2018	
Comprehensive Income		
Net Income	\$815	\$579
Other Comprehensive Items:		
Currency translation adjustment (net of tax provision (benefit) of \$45 and (\$47))	(15	) 47
Unrealized gains and losses on hedging instruments:		
Reclassification adjustment for losses included in net income (net of tax benefit of \$1 and \$1)	2	2
Pension and other postretirement benefit liability adjustments:		
Pension and other postretirement benefit liability adjustments arising during the period (net of tax provision (benefit) of \$0 and (\$1))	1	(2 )
Amortization of net loss and prior service benefit included in net periodic pension cost (net of tax benefit of \$1 and \$1)	1	2
Total other comprehensive items	(11	) 49
Comprehensive Income	\$804	\$628

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

## THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

(In millions)	Three Months Ended March March 30, 31, 2019 2018	
Operating Activities		
Net income	\$815	\$579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	133	131
Amortization of acquisition-related intangible assets	422	444
Change in deferred income taxes	(106 )	(121 )
Non-cash stock-based compensation	44	43
Other non-cash expenses, net	18	27
Changes in assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(29 )	(71 )
Inventories	(140 )	(124 )
Other assets	(117 )	(241 )
Accounts payable	(129 )	(94 )
Other liabilities	(230 )	(471 )
Contributions to retirement plans	(32 )	(24 )
Net cash provided by operating activities	649	78
Investing Activities		
Acquisitions, net of cash acquired	(1 )	(57 )
Purchase of property, plant and equipment	(201 )	(118 )
Proceeds from sale of property, plant and equipment	6	2
Other investing activities, net	15	(6 )
Net cash used in investing activities	(181 )	(179 )
Financing Activities		
Repayment of debt	(1 )	(453 )
Proceeds from issuance of commercial paper	100	1,306
Repayments of commercial paper	(787 )	(1,124)
Purchases of company common stock	(750 )	—
Dividends paid	(68 )	(60 )
Net proceeds from issuance of company common stock under employee stock plans		