

ICON PLC
Form 6-K
May 03, 2019

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 under
the Securities Exchange Act of 1934

For
the month ended May, 2019

ICON plc
(Registrant's name)

333-08704
(Commission file number)

South County Business Park, Leopardstown, Dublin 18, Ireland
(Address of principal executive offices)

Brendan Brennan, CFO
South County Business Park, Leopardstown, Dublin 18, Ireland
Brendan.Brennan@iconplc.com
+353-1-291-2000
(Name, telephone number, email and/or facsimile number and address of Company contact person)

Indicate by check mark
whether the registrant files
or will file annual reports
under cover Form 20-F or
Form 40-F.
Yes No

Indicate by check mark
whether the registrant is
submitting the Form 6-K in
paper as permitted by
Regulation S-T Rule
101(b)(1):

Yes _____ No

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule

101(b)(7):

Yes _____ No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _____ No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82
N/A

ICON plc

Rider A

This report on Form 6-K is hereby incorporated by reference in the registration statement on Form F-3 (Registration No. 333-133371) of ICON plc and in the prospectus contained therein, and this report on Form 6-K shall be deemed a part of such registration statement from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished by ICON plc under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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GENERAL

As used herein, “ICON”, the “Company” and “we” refer to ICON plc and its consolidated subsidiaries, unless the context requires otherwise.

Business

ICON public limited company (“ICON”) is a clinical research organization (“CRO”), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support all stages of the clinical development process - from compound selection to Phase I-IV clinical studies. Our vision is to be the global CRO partner of choice in drug development by delivering best in class information, solutions and performance in clinical and outcomes research.

We believe that we are one of a select group of CROs with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. At March 31, 2019 we had approximately 13,920 employees, in 90 locations in 37 countries. During the three months ended March 31, 2019, we derived approximately 32.4%, 57.6% and 10% of our revenue in the United States, Europe and Rest of World respectively.

We began operations in 1990 and have expanded our business predominately through organic growth, together with a number of strategic acquisitions to enhance our capabilities and expertise in certain areas of the clinical development process. We are incorporated in Ireland and our principal executive office is located at: South County Business Park, Leopardstown, Dublin 18, Republic of Ireland. The contact telephone number of this office is +353-1-291-2000.

Recent Developments

Changes in Board composition and executive leadership transition

In January 2019, the Board approved the appointment of Mr. Ronan Murphy (Non-Executive Director) as Lead Independent Director of ICON plc with immediate effect.

Acquisition

On January 25, 2019 a subsidiary of the Company, ICON Laboratory Services Inc. acquired 100% of the share capital of MolecularMD Corp. The initial consideration on acquisition was \$42.3 million. MolecularMD is a molecular diagnostic specialty laboratory that enables the development and commercialization of precision medicines in oncology. It is a recognized leader in the analytical development and clinical validation of molecular diagnostic assays. It offers a comprehensive test menu in immune oncology development and services also include companion diagnostic development services. The acquisition enhances ICON’s laboratory offering in molecular diagnostic testing and brings to ICON expanded testing platforms, including next generation sequencing, and immunohistochemistry (IHC).

Share repurchase program

A resolution was passed at the Company’s Annual General Meeting (“AGM”) on July 22, 2016, which authorizes the Directors to purchase (buyback) up to 10% of the outstanding shares in the Company. On October 3, 2016, the Company commenced the share buyback program of up to \$400 million. At December 31, 2018, a total of 4,026,576 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$372.1 million. On January 8, 2019, the Company commenced a further share buyback program of up to 1 million shares. At March 31, 2019 a total of 200,253 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$25.0 million. All ordinary shares that were redeemed under the buyback program were canceled in accordance with the Constitution of the Company and the nominal value of these shares transferred to other undenominated capital as required by Irish Company law.

New accounting pronouncements

Recently adopted accounting standards

The new leasing standard (ASU No. 2016-02 ‘Leases’) was issued in February 2016. ASC 842 ‘Leases’ supersedes the requirements in ASC 840 ‘Leases’ and requires that lessees recognize rights and obligations from virtually all leases (other than leases that meet the definition of a short-term lease) on their balance sheets as right-of-use assets with corresponding lease liabilities. The ASU also provides additional guidance on how to classify leases and how to determine the lease term for accounting purposes. In July 2018, the Financial Accounting Standards Board (FASB)

issued ASU No. 2018-11 'Leases (Topic 842): Targeted Improvements', which provides the option to adopt the standard retrospectively for each prior period presented, as initially set out in ASU No.

2016-02, or as of the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings. ASC 842 became effective for ICON Plc with effect from January 1, 2019. ICON adopted the new standard as of January 1, 2019 under the cumulative effect adjustment approach. Under this transition method, the new standard is applied from January 1, 2019 without restatement of comparative period amounts. Results as at December 31, 2018 and for the three months ended March 31, 2018 are therefore presented under the previous leasing accounting principles, ASC 840: 'Leases'. A lease liability and right-of-use asset have been recorded on the Consolidated Balance Sheet as at January 1, 2019 of \$106.5 million (see note 14 - Impact of change in accounting policies for further details). The net operating cost of leases recorded in the three months ended March 31, 2019 is \$8.1 million (see note 8 - Operating leases for further details).

Recently issued accounting standards

In August 2018, the FASB issued ASU No. 2018-15 'Internal-Use Software (Subtopic 350-40)' which provides guidance on when to capitalize implementation costs incurred in hosting arrangements which are accounted for as service contracts. ICON is currently evaluating the impact of this ASU on its consolidated financial statements. This ASU will be effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, with early adoption permitted.

ICON plc
 CONDENSED CONSOLIDATED BALANCE SHEETS
 AS AT MARCH 31, 2019 AND DECEMBER 31, 2018

	(Unaudited) March 31, 2019	(Audited) December 31, 2018
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$417,638	\$ 395,851
Available for sale investments	60,299	59,910
Accounts receivable, net	415,341	414,791
Unbilled revenue	440,583	362,926
Other receivables	40,079	40,459
Prepayments and other current assets	39,757	36,801
Income taxes receivable	26,828	19,445
Total current assets	1,440,525	1,330,183
Other Assets:		
Property, plant and equipment, net	154,753	158,669
Goodwill	787,393	756,260
Operating right-of-use assets	111,775	—
Other non-current assets	18,906	14,525
Non-current income taxes receivable	13,822	20,023
Non-current deferred tax asset	12,937	13,577
Investments in equity - long term	9,482	6,963
Intangible assets	57,665	54,055
Total Assets	\$2,607,258	\$ 2,354,255
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 19,304	\$ 13,288
Payments on account	318,298	274,468
Other liabilities	363,787	317,143
Income taxes payable	10,885	5,724
Total current liabilities	712,274	610,623
Other Liabilities:		
Non-current bank credit lines and loan facilities	349,357	349,264
Non-current operating lease liabilities	83,165	—
Non-current other liabilities	14,128	13,446
Non-current government grants	847	877
Non-current income taxes payable	16,975	17,551
Non-current deferred tax liability	8,327	8,213
Commitments and contingencies	—	—
Total Liabilities	1,185,073	999,974
Shareholders' Equity:		
Ordinary shares, par value 6 euro cents per share; 100,000,000 shares authorized, 53,976,367 shares issued and outstanding at March 31, 2019 and 53,971,706 shares issued and outstanding at December 31, 2018	4,658	4,658
Additional paid in capital	540,020	529,642
Other undenominated capital	997	983

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Accumulated other comprehensive income	(75,093)	(69,328)
Retained earnings	951,603		888,326	
Total Shareholders' Equity	1,422,185		1,354,281	
Total Liabilities and Shareholders' Equity	\$2,607,258		\$2,354,255	

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

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ICON plc
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND MARCH 31, 2018
 (UNAUDITED)

	Three Months Ended	
	March 31,	March 31,
	2019	2018
	(in thousands except share and per share data)	
Revenue	\$674,852	\$620,125
Costs and expenses:		
Direct costs	475,497	430,592
Selling, general and administrative expense	81,912	80,915
Depreciation and amortization	15,497	16,898
Total costs and expenses	572,906	528,405
Income from operations	101,946	91,720
Interest income	1,745	823
Interest expense	(3,354)	(3,795)
Income before provision for income taxes	100,337	88,748
Provision for income taxes	(12,040)	(10,650)
Net income	\$88,297	\$78,098
Net income per Ordinary Share:		
Basic	\$1.64	\$1.45
Diluted	\$1.63	\$1.42
Weighted average number of Ordinary Shares outstanding:		
Basic	53,845,407	53,925,560
Diluted	54,142,510	54,985,790

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

ICON plc
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND MARCH 31, 2018 (UNAUDITED)

	Three Months Ended	
	March	March
	31, 2019	31, 2018
	(in thousands)	
Cash flows from operating activities:		
Net income	\$88,297	\$78,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	—	2
Depreciation expense	11,582	11,850
Amortization of operating right-of-use assets	7,446	—
Amortization of intangibles	3,915	5,048
Amortization of government grants	(11	) (12
Interest on short term investments	(268	) (333
Interest on non-current operating lease liability	689	—
Gain on re-measurement of financial assets	(500) —
Stock compensation expense	7,079	9,392
Amortization of gain on interest rate hedge	(231	) (230
Amortization of financing costs	137	390
Deferred taxes	740	(3,481
Changes in assets and liabilities:		
Decrease/(increase) in accounts receivable	3,545	(12,979
Increase in unbilled revenue	(79,478	) (65,904
Decrease/(increase) in other receivables	398	(2,866
Increase in prepayments and other current assets	(2,187	) (10,358
Increase in other non-current assets	(4,421	) (179
Increase in payments on account	43,957	92,350
Increase/(decrease) in other current liabilities	16,432	(56,787
Decrease in operating lease liabilities	(8,688) —
Decrease in other non-current liabilities	(13	) (1,165
Increase in income taxes payable	2,907	4,300
Decrease in deferred tax liability	(2,096) —
Increase/(decrease) in accounts payable	5,403	(6,668
Net cash provided by operating activities	94,634	40,468
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,034	) (8,304
Purchase of subsidiary undertakings	(42,349	) (1,645
Cash acquired with subsidiary undertaking	686	—
Purchase of available for sale investments	(81	) (10,160
Sale of available for sale investments	239	6,253
Purchase of investments in equity - long term	(2,019) —
Net cash used in investing activities	(50,558	) (13,856
Cash flows from financing activities:		
Financing costs	—	(823
Proceeds from exercise of equity compensation	3,391	727
Share issue costs	(4) (4
Repurchase of ordinary shares	(25,000) (38,208

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Share repurchase costs	(20)	(31)
Net cash used in financing activities	(21,633)	(38,339)
Effect of exchange rate movements on cash	(656)	869
Net increase/(decrease) in cash and cash equivalents	21,787	(10,858)
Cash and cash equivalents at beginning of period	395,851	282,859
Cash and cash equivalents at end of period	\$417,638	\$272,001

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

ICON plc
 CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE
 INCOME
 (UNAUDITED)

	Shares	Amount	Additional Paid-in Capital	Other Undenominated Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	(dollars in thousands, except share data)						
Balance at December 31, 2018	53,971,706	\$ 4,658	\$ 529,642	\$ 983	\$ (69,328)	\$ 888,326	\$ 1,354,281
Comprehensive income:							
Net income	—	—	—	—	—	88,297	88,297
Currency translation adjustment	—	—	—	—	(4,522)	—	(4,522)
Currency impact of long term funding (net of tax)	—	—	—	—			