

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

TECHNE CORP /MN/
Form 10-Q
May 07, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 March 31, 2009, 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 0-17272

TECHNE CORPORATION
(Exact name of registrant as specified in its charter)

MINNESOTA
(State or other jurisdiction
of incorporation or organization)

41-1427402
(I.R.S. Employer
Identification No.)

614 MCKINLEY PLACE N.E.
MINNEAPOLIS, MN 55413
(Address of principal executive offices) (Zip Code)

(612) 379-8854
(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 registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were 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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer (X) Accelerated filer () Non-accelerated filer ()
Smaller reporting company ()

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). () Yes (X) No

At May 6, 2009, 37,242,967 shares of the Company's Common Stock (par value

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

\$.01) were outstanding.

TECHNE CORPORATION
FORM 10-Q
MARCH 31, 2009

INDEX

	PAGE NO.
PART I. FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS (unaudited)	
Condensed Consolidated Balance Sheets as of March 31, 2009 and June 30, 2008	3
Condensed Consolidated Statements of Earnings for the Quarter and Nine Months Ended March 31, 2009 and 2008	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2009 and 2008	5
Notes to Condensed Consolidated Financial Statements	6
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	10
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	16
ITEM 4. CONTROLS AND PROCEDURES	17
PART II. OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	18
ITEM 1A. RISK FACTORS	18
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	18
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	18
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS	18
ITEM 5. OTHER INFORMATION	18
ITEM 6. EXHIBITS	18
SIGNATURES	19

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

ITEM 1 - FINANCIAL STATEMENTS

TECHNE CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except share and per share data)
 (unaudited)

	3/31/09	6/30/08
	-----	-----
ASSETS		
Cash and cash equivalents	\$133,821	\$166,992
Short-term available-for-sale investments	33,296	39,353
Trade accounts receivable, net	31,593	31,747
Other receivables	3,019	1,585
Inventories	10,749	9,515
Deferred income taxes	9,297	8,433
Prepaid expenses	900	808
	-----	-----
Total current assets	222,675	258,433
	-----	-----
Available-for-sale investments	66,925	87,384
Property and equipment, net	97,428	101,722
Goodwill	25,068	25,068
Intangible assets, net	3,244	3,964
Deferred income taxes	3,192	5,055
Investments in unconsolidated entities	22,458	24,749
Other assets	813	994
	-----	-----
	\$441,803	\$507,369
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	\$ 4,905	\$ 4,343
Salaries, wages and related accruals	4,330	8,584
Other accounts payable and accrued expenses	2,306	1,768
Income taxes payable	3,373	5,544
	-----	-----
Total current liabilities	14,914	20,239
	-----	-----
Common stock, par value \$.01 per share; authorized 100,000,000; issued and outstanding 37,276,150 and 38,643,480, respectively	373	386
Additional paid-in capital	117,730	115,408
Retained earnings	331,336	359,208
Accumulated other comprehensive (loss) income	(22,550)	12,128
	-----	-----
Total stockholders' equity	426,889	487,130
	-----	-----
	\$441,803	\$507,369
	=====	=====

See notes to condensed consolidated financial statements.

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share data)
(unaudited)

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
Net sales	\$67,866	\$69,522	\$199,066	\$189,651
Cost of sales	14,316	14,146	40,832	39,001
Gross margin	53,550	55,376	158,234	150,650
Operating expenses:				
Selling, general and administrative	7,061	8,994	25,604	27,729
Research and development	5,809	5,839	17,565	16,582
Amortization of intangible assets	240	283	720	853
Total operating expenses	13,110	15,116	43,889	45,164
Operating income	40,440	40,260	114,345	105,486
Other income (expense):				
Interest income	1,504	3,155	6,596	9,405
Other non-operating expense, net	(1,103)	(423)	(3,002)	(1,565)
Total other income	401	2,732	3,594	7,840
Earnings before income taxes	40,841	42,992	117,939	113,326
Income taxes	13,200	13,402	38,083	37,025
Net earnings	\$27,641	\$29,590	\$ 79,856	\$ 76,301
Earnings per share:				
Basic	\$ 0.74	\$ 0.76	\$ 2.10	\$ 1.94
Diluted	\$ 0.74	\$ 0.76	\$ 2.10	\$ 1.94
Cash dividends per common share	\$ 0.25	\$ --	\$ 0.50	\$ --
Weighted average common shares outstanding:				
Basic	37,427	39,000	37,986	39,296
Diluted	37,499	39,108	38,085	39,396

See notes to condensed consolidated financial statements.

4

TECHNE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

NINE MONTHS ENDED

3/31/09 3/31/08

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 79,856	\$ 76,301
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	5,801	5,254
Deferred income taxes	(260)	(795)
Stock-based compensation expense	1,303	1,663
Excess tax benefit from stock option exercises	(80)	(409)
Losses by equity method investees	951	836
Other	380	224
Change in operating assets and operating liabilities:		
Trade accounts and other receivables	(2,858)	(2,557)
Inventories	(1,918)	(1,565)
Prepaid expenses	(146)	(220)
Trade, other accounts payable and accrued expenses	1,272	(580)
Salaries, wages and related accruals	(2,444)	1,427
Income taxes payable	(826)	2,491
	-----	-----
Net cash provided by operating activities	81,031	82,070
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(3,204)	(6,914)
Purchase of available-for-sale investments	(40,473)	(42,880)
Proceeds from sales of available-for-sale investments	39,318	25,055
Proceeds from maturities of available-for-sale investments	29,590	18,898
Increase in other assets	--	(608)
Increase in investments in unconsolidated entities	--	(1,723)
Distribution from unconsolidated entity	1,340	--
	-----	-----
Net cash provided by (used in) investing activities	26,571	(8,172)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	930	2,630
Excess tax benefit from stock option exercises	80	409
Purchase of common stock for stock bonus plans	(1,681)	(1,494)
Dividends paid	(18,883)	--
Repurchase and retirement of common stock	(88,693)	(47,807)
	-----	-----
Net cash used in financing activities	(108,247)	(46,262)
	-----	-----
Effect of exchange rate changes on cash	(32,526)	(272)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(33,171)	27,364
Cash and cash equivalents at beginning of period	166,992	135,485
	-----	-----
Cash and cash equivalents at end of period	\$ 133,821	\$ 162,849
	=====	=====

See notes to condensed consolidated financial statements.

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

A. BASIS OF PRESENTATION:

The interim unaudited condensed consolidated financial statements of Techne Corporation and Subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America and with instructions to Form 10-Q and Article 10 of Regulation S-X. The accompanying interim unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

A summary of significant accounting policies followed by the Company is detailed in the Company's Annual Report on Form 10-K for fiscal 2008. The Company follows these policies in preparation of the interim unaudited condensed consolidated financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the fiscal year ended June 30, 2008 included in the Company's Annual Report on Form 10-K for fiscal 2008.

Certain consolidated balance sheet captions appearing in this interim report are as follows (in thousands):

	3/31/09	6/30/08
	-----	-----
TRADE ACCOUNTS RECEIVABLE		
Trade accounts receivable	\$ 31,905	\$ 31,900
Less allowance for doubtful accounts	312	153
	-----	-----
NET TRADE ACCOUNTS RECEIVABLE	\$ 31,593	\$ 31,747
	=====	=====
INVENTORIES		
Raw materials	\$ 4,720	\$ 3,962
Supplies	148	123
Finished goods	5,881	5,430
	-----	-----
TOTAL INVENTORIES	\$ 10,749	\$ 9,515
	=====	=====
PROPERTY AND EQUIPMENT		
Land	\$ 5,641	\$ 5,608
Buildings and improvements	114,881	116,107
Laboratory equipment	24,193	22,826
Office equipment	4,894	4,856
	-----	-----
	149,609	149,397
Less accumulated depreciation and amortization	52,181	47,675
	-----	-----
NET PROPERTY AND EQUIPMENT	\$ 97,428	\$101,722
	=====	=====
INTANGIBLE ASSETS		
Customer relationships	\$ 1,966	\$ 1,966
Technology	3,483	3,483
Trade names	1,396	1,396
	-----	-----
	6,845	6,845
Less accumulated amortization	3,601	2,881
	-----	-----
NET INTANGIBLE ASSETS	\$ 3,244	\$ 3,964
	=====	=====

	3/31/09	6/30/08
	-----	-----
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME		
Foreign currency translation adjustments	(\$23,050)	\$ 13,733
Unrealized gains (losses) on available-for-sale investments	500	(1,605)
	-----	-----
TOTAL ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	(\$22,550)	\$ 12,128
	=====	=====

B. INVESTMENTS IN AUCTION-RATE SECURITIES:

At June 30, 2008, the Company held \$8.7 million par value of investments in auction-rate securities which were classified as long-term available-for-sale investments. All of the Company's auction-rate securities were rated A or above and consisted of specifically identifiable tax-free municipal revenue bonds where the underlying credit could be specifically evaluated and rated. At June 30, 2008, the Company determined that several of its investments in auction-rate securities were temporarily impaired and reduced the value of its auction-rate investments to \$5.8 million. The reduction in value, net of taxes, was reflected in accumulated other comprehensive income, a component of stockholders' equity. In September 2008, the Company sold all of its auction-rate securities at par value.

C. FAIR VALUE MEASUREMENTS:

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Effective July 1, 2008, the Company adopted the provisions of SFAS 157 related to financial assets and liabilities, as well as other assets and liabilities carried at fair value on a recurring basis. These provisions, which have been applied prospectively, did not have a material impact on the Company's consolidated financial statements. Certain other provisions of SFAS 157 related to other nonfinancial assets and liabilities will be effective for the Company on July 1, 2009, and will be applied prospectively. The adoption of the provisions of SFAS 157 related to other nonfinancial assets and liabilities is not expected to have a material impact on the Company's consolidated financial statement disclosures.

SFAS 157 defines three levels of inputs that may be used to measure fair value and requires that the assets or liabilities carried at fair value be disclosed by the input level under which they were valued. The input levels defined under SFAS 157 are as follows:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than defined in Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

Level 3: Unobservable inputs that are not corroborated by observable market data.

The following table summarizes financial assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2009 (in thousands):

	Level 1 -----
Available-for-sale securities	\$100,221

7

D. EARNINGS PER SHARE:

Shares used in the earnings per share computations are as follows (in thousands):

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
Weighted average common shares outstanding-basic	37,427	39,000	37,986	39,296
Dilutive effect of stock options and warrants	72	108	99	100
Weighted average common shares outstanding-diluted	37,499	39,108	38,085	39,396

The dilutive effect of stock options and warrants in the above table excludes all options for which the aggregate exercise proceeds exceeded the average market price for the period. The number of potentially dilutive option shares excluded from the calculation was 75,000 and 61,000 for the quarter and nine months ended March 31, 2009, respectively, and 41,000 for both the quarter and nine months ended March 31, 2008.

E. SEGMENT INFORMATION:

The Company has three reportable operating segments based on the nature of products and geographic location: biotechnology, R&D Systems Europe Ltd. (R&D Europe), and hematology. The biotechnology segment consists of R&D Systems, Inc. (R&D Systems) Biotechnology Division, BiosPacific, Inc. (BiosPacific) and R&D Systems China Co. Ltd. (R&D China), which develop, manufacture and sell biotechnology research and diagnostic products world-wide. R&D Europe distributes Biotechnology Division products throughout Europe. The hematology segment develops and manufactures hematology controls and calibrators for sale world-wide.

Following is financial information relating to the Company's operating segments (in thousands):

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
External sales				
Biotechnology	\$45,139	\$45,090	\$131,608	\$123,114

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

R&D Europe	18,293	20,226	54,518	54,702
Hematology	4,434	4,206	12,940	11,835
	-----	-----	-----	-----
Total consolidated net sales	\$67,866	\$69,522	\$199,066	\$189,651
	=====	=====	=====	=====
Earnings before income taxes				
Biotechnology	\$33,281	\$32,246	\$ 93,869	\$ 86,687
R&D Europe	7,274	11,160	24,813	28,788
Hematology	1,692	1,175	4,387	3,185
Corporate and equity method investees	(1,406)	(1,589)	(5,130)	(5,334)
	-----	-----	-----	-----
Total earnings before income taxes	\$40,841	\$42,992	\$117,939	\$113,326
	=====	=====	=====	=====

8

F. STOCK OPTIONS:

Option activity under the Company's stock option plans during the nine months ended March 31, 2009 was as follows:

	SHARES (in 000's)	WEIGHTED AVG. EXERCISE PRICE	WEGHTED AVG. CONTRACTUAL LIFE (Yrs.)	AGGREGATE INTRINSIC VALUE
	-----	-----	-----	-----
Outstanding at June 30, 2008	372	\$47.36		
Granted	37	\$66.16		
Exercised	(20)	\$47.46		
Forfeited or expired	--	--		

Outstanding at March 31, 2009	389	\$49.13	4.9	\$3.3 million
	===			
Exercisable at March 31, 2009	360	\$48.29	4.9	\$3.3 million
	===			

No options were granted during the quarters ended March 31, 2009 and 2008. The fair value of options granted under the Company's stock option plans were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used:

	NINE MONTHS ENDED	
	3/31/09	3/31/08
	-----	-----
Dividend yield	--	--
Expected annualized volatility	24%-37%	24%-46%
Risk free interest rate	3.2%-3.5%	4.2%-4.6%
Expected life	8 years	7 years
Weighted average fair value of options granted	\$30.26	\$35.75

The Company declared and paid its first ever dividend during the quarter ended December 31, 2008. As the Company had not established a practice of paying dividends prior to the granting of options in the first half of fiscal 2009, an expected dividend yield of zero was used to estimate the fair value of options granted in the first half of fiscal 2009. This assumption may be subject to change for valuing future option grants if the Company continues to pay dividends. The expected annualized volatility is based on the Company's historical stock price over a period equivalent to the expected

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

life of the option granted. The risk-free interest rate is based on U.S. Treasury constant maturity interest rate with a term consistent with the expected life of the options granted. Separate groups of employees that have similar historical exercise behavior with regard to option exercise timing and forfeiture rates are considered separately in determining option fair value.

The total intrinsic value of options exercised during the quarter and nine months ended March 31, 2009 was \$52,000 and \$604,000, respectively. The total intrinsic value of options exercised during the quarter and nine months ended March 31, 2008 was \$37,000 and \$2.1 million, respectively. Stock option exercises were satisfied through the issuance of new shares. The total fair value of options vested during the nine months ended March 31, 2009 was \$1.1 million. No options vested during the quarter ended March 31, 2009. The total fair value of options vested during the quarter and nine months ended March 31, 2008 was \$164,000 and \$1.7 million, respectively.

9

Stock-based compensation cost of \$63,000 and \$1.3 million was included in selling, general and administrative expense for the quarter and nine months ended March 31, 2009, respectively. Stock-based compensation cost of \$77,000 and \$1.7 million was included in selling, general and administrative expense for the quarter and nine months ended March 31, 2008, respectively. Compensation cost is recognized using a straight-line method over the vesting period and is net of estimated forfeitures. As of March 31, 2009, there was \$247,000 of total unrecognized compensation cost related to non-vested stock options that will be expensed in fiscal years 2009 and 2010.

G. COMPREHENSIVE INCOME:

Comprehensive income and the components of other comprehensive income were as follows (in thousands):

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
Net earnings	\$27,641	\$29,590	\$ 79,856	\$ 76,301
Other comprehensive income:				
Foreign currency translation adjustments	(2,142)	560	(36,783)	(129)
Unrealized gain (loss) on available-for-sale investments, net of tax	662	(2,039)	2,105	(1,378)
Comprehensive income	\$26,161	\$28,111	\$ 45,178	\$ 74,794
	=====	=====	=====	=====

H. DIVIDENDS

The Company paid cash dividends of \$0.25 per share in each of the second and third quarters of fiscal 2009. Total cash dividends paid through March 31, 2009 were \$18.9 million.

I. SUBSEQUENT EVENT

On April 28, 2009, the Company announced the payment of a \$0.25 per share cash dividend and a \$60 million increase in the amount authorized for its

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

stock repurchase program. The dividend of approximately \$9.3 million will be payable May 22, 2009 to all common shareholders of record on May 8, 2009.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations for the Quarter and Nine Months Ended March 31, 2009 and 2008

Overview

TECHNE Corporation and Subsidiaries (the Company) are engaged in the development, manufacture and sale of biotechnology products and hematology calibrators and controls. These activities are conducted domestically through its wholly-owned subsidiaries, Research and Diagnostic Systems, Inc (R&D Systems) and BiosPacific, Inc. (BiosPacific). The Company distributes biotechnology products in Europe through its wholly-owned U.K. subsidiary, R&D Systems Europe Ltd. (R&D Europe). R&D Europe has a sales subsidiary, R&D Systems GmbH, in Germany and a sales office in France. The Company distributes biotechnology products in China through its wholly-owned subsidiary, R&D Systems China, Co. Ltd. (R&D China).

10

The Company has three reportable operating segments based on the nature of products and geographic location: biotechnology, R&D Europe and hematology. The biotechnology segment consists of R&D Systems' Biotechnology Division, BiosPacific and R&D China, which develop, manufacture and sell biotechnology research and diagnostic products world-wide. R&D Europe distributes Biotechnology Division products throughout Europe. The hematology segment develops and manufactures hematology controls and calibrators for sale world-wide.

Overall Results

Consolidated net earnings decreased 6.6% and increased 4.7% for the quarter and nine months ended March 31, 2009, respectively, compared to the same prior-year periods. Consolidated net sales and net earnings were unfavorably affected by the strengthening of the U.S. dollar as compared to foreign currencies in the second and third quarters of fiscal 2009. The unfavorable impact on consolidated net sales of the change from the prior year in exchange rates used to convert sales in foreign currencies (primarily British pounds sterling and Euros) into U.S. dollars was \$3.6 million and \$6.4 million for the quarter and nine months ended March 31, 2009, respectively. The unfavorable impact on consolidated net earnings of the change from the prior year in exchange rates used to convert foreign currency financial statements to U.S. dollars was \$1.5 million and \$3.3 million for the quarter and nine months ended March 31, 2009, respectively. In the first nine months of fiscal 2009, the Company generated cash of \$81.0 million from operating activities, paid cash of \$88.7 million for the repurchase and retirement of common stock, paid cash dividends of \$18.9 million and had cash, cash equivalents and available-for-sale investments of \$234 million at March 31, 2009 compared to \$294 million at June 30, 2008.

Net Sales

Consolidated net sales for the quarter and nine months ended March 31, 2009 were \$67.9 million and \$199.1 million, respectively, a decrease of \$1.7 million (2.4%) and an increase of \$9.4 million (5.0%), respectively, from the quarter and nine months ended March 31, 2008. Excluding the effect of

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

changes in foreign currency exchange rates, consolidated net sales increased 2.9% and 8.3% for the quarter and nine months ended March 31, 2009, respectively, from the comparable prior-year periods. Included in consolidated net sales for the quarter and nine months ended March 31, 2009 was \$1.3 million and \$2.2 million, respectively, of sales of new biotechnology products which had their first sale in fiscal 2009.

Biotechnology net sales increased \$49,000 (0.1%) and \$8.5 million (6.9%), respectively, for the quarter and nine months ended March 31, 2009, primarily from increased sales volume during the first half of the fiscal year. North American sales to industrial pharmaceutical and biotechnology customers declined approximately 5% during the third quarter of fiscal 2009. Biotechnology sales to academic and Pacific Rim distributors grew about 3% during the same period. The Company attributes the lower third quarter sales growth rate to customer caution in a time of economic uncertainty.

R&D Europe net sales decreased \$1.9 million (9.6%) and \$184,000 (0.3%) for the quarter and nine months ended March 31, 2009, respectively, from the comparable prior-year periods. R&D Europe's net sales increased 8.5% and 11.3%, respectively, for the quarter and nine months ended March 31, 2009, when measured at currency rates in effect in the comparable prior-year period, mainly as a result of increased sales volume. Approximately 75% of R&D Europe sales are in non-British pound sterling currencies (mainly Euro) which had a favorable impact on consolidated net sales of approximately \$3.3 million and \$7.9 million, respectively, in the quarter and nine months ended March 31, 2009 as a result of the change in exchange rates used to convert sales in other currencies to British pounds sterling. This favorable impact was offset by an unfavorable impact on consolidated net sales of approximately \$6.9 million and \$14.3 million for the quarter and nine months ended March 31, 2009, respectively, as a result of the change in exchange rates used to convert British pound sterling to U.S. dollars.

11

Hematology sales increased \$228,000 (5.4%) and \$1.1 million (9.3%) for the quarter and nine months ended March 31, 2009, respectively, compared to the same prior-year periods, as a result of increased sales volume.

The Company has long-term targeted annual sales growth goals for each of its business segments that it uses for internal planning purposes. The targeted sales growth goals, which are based on historical sales growth, are 10%-12% for biotechnology, 7%-9% for R&D Europe (in constant currency) and 1%-2% for hematology. Based on the relative size of each segment, the consolidated targeted annual growth goal is 8%-10%, excluding the effect of changes in exchange rates. Actual results could vary materially from these long-term goals, especially in specific quarters and periods due to general economic conditions and other uncertainties and factors including those identified in the Forward Looking and Cautionary Statements section below.

Gross Margins

Gross margins, as a percentage of net sales, were as follows:

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
Biotechnology	79.4%	79.8%	79.3%	79.8%
R&D Europe	48.6%	56.9%	53.0%	56.1%
Hematology	47.6%	41.4%	45.1%	40.8%
Consolidated gross margin	78.9%	79.7%	79.5%	79.4%

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

Consolidated gross margins, as a percentage of consolidated net sales, decreased from 79.7% for the quarter ended March 31, 2008 to 78.9% for the quarter ended March 31, 2009. This decrease was primarily caused by lower gross margins in Europe resulting from unfavorable exchange rates. Consolidated gross margins, as a percentage of consolidated net sales increased slightly from 79.4% for the nine months ended March 31, 2008 to 79.5% for the nine months ended March 31, 2009.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were composed of the following (in thousands):

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
Biotechnology	\$ 4,262	\$ 5,257	\$14,821	\$15,415
R&D Europe	1,714	2,311	6,091	7,172
Hematology	310	489	1,144	1,443
Corporate	775	937	3,548	3,699
	\$ 7,061	\$ 8,994	\$25,604	\$27,729
	=====	=====	=====	=====

Selling, general and administrative expenses for the quarter and nine months ended March 31, 2009 decreased \$1.9 million (21.5%) and \$2.1 million (7.7%), respectively, from the same prior-year periods. The decrease in selling, general and administrative expenses from the comparable prior-year periods were the result of the following (in thousands):

12

	QUARTER	NINE MONTHS
Change in exchange rates to convert foreign expenses to U.S. dollars	(\$ 651)	(\$1,538)
Reduction in profit sharing expense	(1,326)	(1,943)
Other, including annual wage, salary and benefits increases	44	1,356
	(\$1,933)	(\$2,125)
	=====	=====

The reduction in profit sharing expense for the quarter and nine months ended March 31, 2009 was directly related to the Company's results for the periods. The Company's annual contribution to its profit sharing plans, in which all qualified employees participate, is based on the percentage increase in sales and after tax earnings from the prior year.

Research and Development Expenses

Research and development expenses were composed of the following (in thousands):

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

Biotechnology	\$ 5,622	\$ 5,640	\$16,982	\$16,010
Hematology	187	199	583	572
Total research and development expenses	\$ 5,809	\$ 5,839	\$17,565	\$16,582

Interest Income

Interest income decreased \$1.6 million and \$2.8 million for the quarter and nine months ended March 31, 2009, respectively, from the comparable prior-year periods, primarily as a result of lower rates of return on cash and available-for-sale investments and, to a lesser extent to lower cash and available-for-sale investment balances.

Other Non-operating Expense and Income

Other non-operating expense and income consists mainly of foreign currency transaction gains and losses, rental income, building expenses related to rental property, and the Company's share of losses by equity method investees.

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
Foreign currency (losses) gains	(\$ 239)	\$ 462	(\$ 719)	\$ 779
Rental income	115	91	345	269
Real estate taxes, depreciation and utilities	(573)	(633)	(1,677)	(1,777)
Losses by equity method investees	(406)	(343)	(951)	(836)
Total other non-operating expense	(\$1,103)	(\$ 423)	(\$3,002)	(\$1,565)

Income Taxes

Income taxes for both the quarter and nine months ended March 31, 2009 were provided at rates of 32.3% of consolidated earnings before income taxes, compared to 31.2% and 32.7% of consolidated earnings before income taxes for the quarter and nine months ended March 31, 2008. Income tax expense for the first nine months of fiscal 2009 benefited from the renewal of the U.S. research and development credit. Included in income tax expense for the nine months ended March 31, 2009 was a \$354,000 credit for the January to June 2008 period. The effective rate in the quarter ended March 31, 2008, was positively impacted by changes in state apportionment estimates. Foreign income taxes have been provided at rates that approximate the tax rates in the countries in which R&D Europe and R&D China operate. The Company expects its fiscal 2009 effective income tax rate to range from approximately 32.0% to 33.0%.

13

Liquidity and Capital Resources

At March 31, 2009, cash and cash equivalents and available-for-sale investments were \$234 million compared to \$294 million at June 30, 2008. Cash and cash equivalents at March 31, 2009 and June 30, 2008 included \$100.4 million (70.0 million British pounds) and \$116.6 million (58.5 million British pounds), respectively, at R&D Europe. The Company believes it can meet its future cash, working capital and capital addition requirements through currently available funds, cash generated from operations and maturities or

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

sales of available-for-sale investments. The Company has an unsecured line of credit of \$750,000. The interest rate on the line of credit is at prime. There were no borrowings on the line in the prior or current fiscal year.

Cash Flows From Operating Activities

The Company generated cash of \$81.0 million from operating activities in the first nine months of fiscal 2009 compared to \$82.1 million in the first nine months of fiscal 2008. The decrease from the prior year was primarily due to a decrease in salary, wages and related accruals and income taxes payable partially offset by an increase in consolidated net earnings in the current year of \$3.6 million.

Cash Flows From Investing Activities

Capital expenditures for fixed assets for the first nine months of fiscal 2009 and 2008 were \$3.2 million and \$6.9 million, respectively. Included in capital expenditures for the first nine months of fiscal 2009 and 2008 was \$781,000 and \$4.6 million for building renovation and construction, respectively. The remaining capital additions in the first nine months of fiscal 2009 and 2008 were for laboratory and computer equipment. Capital expenditures in the remainder of fiscal 2009 are expected to be approximately \$3.0 million and are expected to be financed through currently available funds and cash generated from operating activities.

During the nine months ended March 31, 2009, the Company purchased \$40.5 million and had sales or maturities of \$68.9 million of available-for-sale investments. During the nine months ended March 31, 2008, the Company purchased \$42.9 million and had sales or maturities of \$43.9 million of available-for-sale investment. The Company's investment policy is to place excess cash in bonds and other investments with maturities of less than three years. The objective of this policy is to obtain the highest possible return while minimizing risk and keeping the funds accessible.

During the nine months ended March 31, 2009, the Company received a \$1.3 million distribution from its investment in Nephromics, LLC (Nephromics). The Company accounts for its investment in Nephromics under the equity method of accounting as Nephromics is a limited liability company. At March 31, 2009, the Company's net investment in Nephromics was \$4.6 million.

During the nine months ended March 31, 2008, the Company invested an additional \$300,000 in Hemerus Medical, LLC and invested \$1.4 million for a 19% interest in ACTGen, Inc., a development stage biotechnology company located in Japan.

14

Cash Flows From Financing Activities

Cash of \$930,000 and \$2.6 million was received during the nine months ended March 31, 2009 and 2008, respectively, from the exercise of stock options. The Company also recognized excess tax benefits from stock option exercises of \$80,000 and \$409,000 for the nine months ended March 31, 2009 and 2008, respectively.

During the first nine months of fiscal 2009 and 2008, the Company purchased 22,637 and 23,641 shares of common stock, respectively, for its employee stock bonus plans at a cost of \$1.7 million and \$1.5 million, respectively.

During the first nine months of fiscal 2009, the Company purchased and

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

retired approximately 1.4 million shares of common stock at a market value of \$88.9 million of which \$88.7 million was disbursed prior to March 31, 2009. During the first nine months of fiscal 2008, the Company purchased and retired approximately 758,000 shares of common stock at a market value of \$49.3 million of which \$47.8 million was disbursed prior to March 31, 2008.

During the nine months ended March 31, 2009, the Company paid cash dividends of \$18.9 million to all common shareholders. On April 28, 2009, the Company announced the payment of an additional \$0.25 per share cash dividend. The dividend of approximately \$9.3 million will be payable May 22, 2009 to all common shareholders of record on May 8, 2009.

Contractual Obligations

There were no material changes outside the ordinary course of business in the Company's contractual obligations during the nine months ended March 31, 2009.

Critical Accounting Policies

The Company's significant accounting policies are discussed in the Company's Annual Report on Form 10-K for fiscal 2008. The application of certain of these policies require judgments and estimates that can affect the results of operations and financial position of the Company. Judgments and estimates are used for, but not limited to, valuation of available-for-sale investments, inventory valuation and allowances, impairment of goodwill, intangibles and other long-lived assets and valuation of investments in unconsolidated entities. There have been no significant changes in estimates in fiscal 2009 which would require disclosure. There have been no changes to the Company's policies in fiscal 2009.

Recent Accounting Pronouncements

In February 2008, the FASB amended SFAS 157 to defer the effective date of SFAS 157 for all nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. As disclosed in Note C to the Condensed Consolidated Financial Statements included in this Form 10-Q, the Company partially adopted the provisions of SFAS 157 effective in the first quarter of fiscal 2009. The Company expects to adopt the remaining provisions of SFAS 157 beginning in the first quarter of fiscal 2010. The adoption of the provisions of SFAS 157 related to other nonfinancial assets and liabilities is not expected to have a material impact on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141R must be applied to business combinations consummated by the Company subsequent to December 15, 2008.

15

Forward Looking Information and Cautionary Statements

This quarterly report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

statements include those regarding the Company's expectations as to target sales growth goals, the effective tax rate, the amount of capital expenditures for the remainder of the fiscal year, the Company's adoption and impact of recent accounting pronouncements and the sufficiency of currently available funds for meeting the Company's needs. These statements involve risks and uncertainties that may affect the actual results of operations. The following important factors, among others, have affected and, in the future, could affect the Company's actual results: the introduction and acceptance of new biotechnology and hematology products, the levels and particular directions of research by the Company's customers, the impact of the growing number of producers of biotechnology research products and related price competition, general economic conditions, the retention of hematology OEM (private label) and proficiency survey business, the impact of currency exchange rate fluctuations, the costs and results of research and product development efforts of the Company and of companies in which the Company has invested or with which it has formed strategic relationships, the impact of governmental regulation and intellectual property litigation, the recruitment and retention of qualified personnel, the success of our expansion into China, the number of business or selling days in a period and the success of financing efforts by companies in which the Company has invested. For additional information concerning such factors, see the Company's Annual Report on Form 10-K for fiscal 2008 as filed with the Securities and Exchange Commission.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At March 31, 2009, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of \$100.2 million. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase.

The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency rate changes. The Company is exposed to market risk from foreign exchange rate fluctuations of the euro (approximately 19% of consolidated net sales), the British pound sterling (approximately 7% of consolidated net sales) and the Chinese yuan (approximately 2% of consolidated net sales) to the U.S. dollar as the financial position and operating results of the Company's foreign operations are translated into U.S. dollars for consolidation. At the current level of R&D Europe operating results, a 10% increase or decrease in the average exchange rate used to translate operating results into U.S. dollars would have an approximate \$2.6 million effect on consolidated operating income annually.

Month-end average exchange rates between the British pound sterling, euro and Chinese yuan and the U.S. dollar, which have not been weighted for actual sales volume in the applicable months in the periods, were as follows:

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
British pound sterling	\$1.44	\$1.99	\$1.61	\$2.02
Euro	1.29	1.53	1.36	1.46
Chinese yuan	.146	.141	.146	.136

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

The Company's exposure to foreign exchange rate fluctuations also arises from trade receivables and intercompany payables denominated in one currency in the financial statements, but receivable or payable in another currency. At March 31, 2009, the Company had the following trade receivable and intercompany payables denominated in one currency but receivable or payable in another currency (in thousands):

	DENOMINATED CURRENCY	U.S. DOLLAR EQUIVALENT
Accounts Receivable in:		
Euros	958 Br. pounds	\$1,375
Other European currencies	797 Br. pounds	\$1,144
Intercompany Payable in:		
Euros	295 Br. pounds	\$ 423
U.S. dollars	3,164 Br. pounds	\$4,540
U.S. dollars	3,595 Chinese yuan	\$ 525

All of the above balances are revolving in nature and are not deemed to be long-term balances.

The Company's subsidiaries recognized net foreign currency gains and (losses) as follows (in thousands):

	QUARTER ENDED		NINE MONTHS ENDED	
	3/31/09	3/31/08	3/31/09	3/31/08
In foreign currency:				
R&D Europe (Br. pounds)	(163)	230	(388)	407
R&D China (Chinese yuan)	(8)	34	(1)	(311)
In U.S. Dollars:				
R&D Europe	(\$ 238)	\$ 457	(\$ 719)	\$ 820
R&D China	(1)	5	--	(41)
	(\$239)	\$ 462	(\$ 719)	\$ 779
	=====	=====	=====	=====

The Company does not enter into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes on intercompany foreign currency denominated balance sheet positions.

ITEM 4 - CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as amended (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

Act) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

17

PART II. OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The Company is not engaged in any ongoing pending legal proceedings that the Company believes is material to its operations.

ITEM 1A. - RISK FACTORS

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year ended June 30, 2008.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth the repurchases of Company common stock for the quarter ended March 31, 2009:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under The Plans or Programs
1/1/09-1/31/09	0	\$ --	0	\$19.8 million
2/1/09-2/28/09	55,044	\$50.98	55,044	\$17.0 million
3/1/09-3/31/09	158,447	\$48.85	158,447	\$9.3 million

In November 2007, the Company authorized a plan for the repurchase and retirement of \$150 million of its common stock. In April 2009, the Company authorized an additional \$60 million for its stock repurchase plan. The plan does not have an expiration date.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SHAREHOLDERS

None.

ITEM 5 - OTHER INFORMATION

None.

Edgar Filing: TECHNE CORP /MN/ - Form 10-Q

ITEM 6 - EXHIBITS

See "exhibit index" following the signature page.

18

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TECHNE CORPORATION
(Company)

Date: May 7, 2009

/s/ Thomas E. Oland
President, Chief Executive Officer

May 7, 2009

/s/ Gregory J. Melsen
Chief Financial Officer

EXHIBIT INDEX TO FORM 10-Q

TECHNE CORPORATION

Exhibit #	Description
-----	-----
31.1*	Section 302 Certification
31.2*	Section 302 Certification
32.1*	Section 906 Certification
32.2*	Section 906 Certification

*Filed herewith