

SELECT MEDICAL HOLDINGS CORP
Form 10-Q
August 07, 2012
[Table of Contents](#)

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 June 30, 2012

- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period From _____ to _____ .

Commission File Numbers: 001 34465 and 001 31441

SELECT MEDICAL HOLDINGS CORPORATION

SELECT MEDICAL CORPORATION

(Exact name of Registrants as specified in their charters)

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Delaware

20-1764048

Delaware

23-2872718

(State or other jurisdiction of
incorporation or organization)

(I.R.S. employer identification
number)

4714 Gettysburg Road, P.O. Box 2034, Mechanicsburg, Pennsylvania 17055

(Address of principal executive offices and zip code)

(717) 972-1100

(Registrants telephone number, including area code)

Indicate by check mark whether the Registrants (1) have 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 periods as the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the Registrants have 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 Registrants were required to submit and post such files). YES NO

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See 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 Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of July 31, 2012, Select Medical Holdings Corporation had outstanding 139,866,719 shares of common stock.

This Form 10-Q is a combined quarterly report being filed separately by two Registrants: Select Medical Holdings Corporation and Select Medical Corporation. Unless the context indicates otherwise, any reference in this report to Holdings refers to Select Medical Holdings Corporation and any reference to Select refers to Select Medical Corporation, the wholly-owned operating subsidiary of Holdings. References to the Company, we, us, and our refer collectively to Select Medical Holdings Corporation and Select Medical Corporation.

Table of Contents

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
ITEM 1.	CONSOLIDATED FINANCIAL STATEMENTS	
	<u>Consolidated balance sheets</u>	3
	<u>Consolidated statements of operations</u>	4
	<u>Consolidated statements of changes in stockholders' equity and income</u>	6
	<u>Consolidated statements of cash flows</u>	7
	<u>Notes to consolidated financial statements</u>	8
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	27
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	52
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>	52
PART II	<u>OTHER INFORMATION</u>	52
<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>	52
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	54
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	54
<u>ITEM 3.</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u>	54
<u>ITEM 4.</u>	<u>MINE SAFETY DISCLOSURES</u>	54
<u>ITEM 5.</u>	<u>OTHER INFORMATION</u>	54
<u>ITEM 6.</u>	<u>EXHIBITS</u>	55
<u>SIGNATURES</u>		

Table of Contents**Consolidated Balance Sheets**

(unaudited)

(in thousands, except share and per share amounts)

	Select Medical Holdings Corporation		Select Medical Corporation	
	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 12,043	\$ 21,520	\$ 12,043	\$ 21,520
Accounts receivable, net of allowance for doubtful accounts of \$47,469 and \$44,783 in 2011 and 2012, respectively	413,743	423,859	413,743	423,859
Current deferred tax asset	18,305	15,533	18,305	15,533
Prepaid income taxes	9,497	4,061	9,497	4,061
Other current assets	29,822	31,383	29,822	31,383
Total Current Assets	483,410	496,356	483,410	496,356
Property and equipment, net	510,028	492,781	510,028	492,781
Goodwill	1,631,716	1,631,461	1,631,716	1,631,461
Other identifiable intangibles	72,123	71,783	72,123	71,783
Assets held for sale	2,742	2,742	2,742	2,742
Other assets	72,128	84,514	70,719	83,291
Total Assets	\$ 2,772,147	\$ 2,779,637	\$ 2,770,738	\$ 2,778,414
LIABILITIES AND EQUITY				
Current Liabilities:				
Bank overdrafts	\$ 16,609	\$ 20,348	\$ 16,609	\$ 20,348
Current portion of long-term debt and notes payable	10,848	11,785	10,848	11,785
Accounts payable	95,618	90,132	95,618	90,132
Accrued payroll	82,888	73,712	82,888	73,712
Accrued vacation	51,250	56,208	51,250	56,208
Accrued interest	15,096	26,945	11,980	23,746
Accrued restructuring	5,027	3,038	5,027	3,038
Accrued other	101,076	99,583	106,316	104,823
Due to third party payors	5,526	7,264	5,526	7,264
Total Current Liabilities	383,938	389,015	386,062	391,056
Long-term debt, net of current portion	1,385,950	1,342,134	1,218,650	1,174,834
Non-current deferred tax liability	82,028	82,911	82,028	82,911
Other non-current liabilities	64,905	68,649	64,905	68,649
Total Liabilities	1,916,821	1,882,709	1,751,645	1,717,450
Stockholders' Equity:				
Common stock of Holdings, \$0.001 par value, 700,000,000 shares authorized, 145,268,190 shares and 139,863,119 shares issued and outstanding in 2011 and 2012, respectively	145	140		

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Common stock of Select, \$0.01 par value, 100 shares issued and outstanding			0	0
Capital in excess of par	493,828	469,410	848,844	853,506
Retained earnings	328,882	393,961	137,778	174,041
Total Select Medical Holdings Corporation and Select Medical Corporation Stockholders Equity	822,855	863,511	986,622	1,027,547
Non-controlling interest	32,471	33,417	32,471	33,417
Total Equity	855,326	896,928	1,019,093	1,060,964
Total Liabilities and Equity	\$ 2,772,147	\$ 2,779,637	\$ 2,770,738	\$ 2,778,414

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

Table of Contents**Consolidated Statements of Operations**

(unaudited)

(in thousands, except per share amounts)

	Select Medical Holdings Corporation For the Three Months Ended June 30,		Select Medical Corporation For the Three Months Ended June 30,	
	2011	2012	2011	2012
Net operating revenues	\$ 698,749	\$ 750,193	\$ 698,749	\$ 750,193
Costs and expenses:				
Cost of services	569,666	612,669	569,666	612,669
General and administrative	16,115	18,554	16,115	18,554
Bad debt expense	13,943	10,029	13,943	10,029
Depreciation and amortization	17,999	15,428	17,999	15,428
Total costs and expenses	617,723	656,680	617,723	656,680
Income from operations	81,026	93,513	81,026	93,513
Other income and expense:				
Loss on early retirement of debt	(31,018)		(20,385)	
Equity in earnings (losses) of unconsolidated subsidiaries	(251)	2,752	(251)	2,752
Interest income	111		111	
Interest expense	(25,296)	(23,798)	(19,694)	(20,957)
Income before income taxes	24,572	72,467	40,807	75,308
Income tax expense	10,915	27,651	16,597	28,646
Net income	13,657	44,816	24,210	46,662
Less: Net income attributable to non-controlling interests	1,938	1,644	1,938	1,644
Net income attributable to Select Medical Holdings Corporation and Select Medical Corporation	\$ 11,719	\$ 43,172	\$ 22,272	\$ 45,018
Income per common share:				
Basic	\$ 0.08	\$ 0.31		
Diluted	\$ 0.08	\$ 0.31		

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

Table of Contents**Consolidated Statements of Operations**

(unaudited)

(in thousands, except per share amounts)

	Select Medical Holdings Corporation For the Six Months Ended June 30,		Select Medical Corporation For the Six Months Ended June 30,	
	2011	2012	2011	2012
Net operating revenues	\$ 1,391,935	\$ 1,494,214	\$ 1,391,935	\$ 1,494,214
Costs and expenses:				
Cost of services	1,127,082	1,224,288	1,127,082	1,224,288
General and administrative	32,681	32,778	32,681	32,778
Bad debt expense	28,293	20,404	28,293	20,404
Depreciation and amortization	35,221	31,627	35,221	31,627
Total costs and expenses	1,223,277	1,309,097	1,223,277	1,309,097
Income from operations	168,658	185,117	168,658	185,117
Other income and expense:				
Loss on early retirement of debt	(31,018)		(20,385)	
Equity in earnings (losses) of unconsolidated subsidiaries	(324)	5,217	(324)	5,217
Interest income	167		167	
Interest expense	(50,960)	(47,720)	(38,356)	(42,207)
Income before income taxes	86,523	142,614	109,760	148,127
Income tax expense	37,479	55,226	45,611	57,156
Net income	49,044	87,388	64,149	90,971
Less: Net income attributable to non-controlling interests	3,653	2,674	3,653	2,674
Net income attributable to Select Medical Holdings Corporation and Select Medical Corporation	\$ 45,391	\$ 84,714	\$ 60,496	\$ 88,297
Income per common share:				
Basic	\$ 0.29	\$ 0.60		
Diluted	\$ 0.29	\$ 0.59		

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

Table of Contents**Select Medical Holdings Corporation****Consolidated Statement of Changes in Equity and Income****(unaudited)****(in thousands)**

	Select Medical Holdings Corporation Stockholders					
	Total	Common Stock Issued	Common Stock Par Value	Capital in Excess of Par	Retained Earnings	Non-controlling Interests
Balance at December 31, 2011	\$ 855,326	145,268	\$ 145	\$ 493,828	\$ 328,882	\$ 32,471
Net income	87,388				84,714	2,674
Issuance and vesting of restricted stock	1,998	194	0	1,998		
Exercise of stock options	547	127	0	547		
Stock option expense	601			601		
Repurchase of common shares	(46,790)	(5,726)	(5)	(27,150)	(19,635)	
Distributions to non-controlling interests	(1,681)					(1,681)
Other	(461)			(414)		(47)
Balance at June 30, 2012	\$ 896,928	139,863	\$ 140	\$		