



## **Addus HomeCare Reports Second Quarter 2011 Results**

August 4, 2011

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### **Second Quarter Financial Highlights**

- Total net service revenues grew 1.6% to \$68.3 million, with comparable growth rates in both the Home & Community and Home Health Divisions
- Net income of \$1.3 million, or \$0.12 per diluted share
- Accounts Receivable DSO has improved by 19 days to 65 days

Addus HomeCare Corporation (Nasdaq: ADUS), a comprehensive provider of home-based social and medical services, announced today its financial results for the second quarter ended June 30, 2011.

Mark Heaney, President and Chief Executive Officer of Addus HomeCare, stated: "In the second quarter, we continued to integrate our new senior management team, including our new Vice President for Home Health, who joined us in July. In addition, we are initiating a search for a Chief Sales and Marketing Officer to lead our sales team. We are of course pleased that the State of Illinois made a significant payment in the quarter."

### **Second Quarter Review**

Total net service revenues for the second quarter of 2011 were \$68.3 million, a 1.6% increase compared to the prior year quarter. The acquisition of CarePro contributed approximately \$3.3 million in net service revenues in the second quarter of 2011.

Second quarter 2011 net income was \$1.3 million, or \$0.12 per diluted share. Net income was \$1.7 million or \$0.16 per diluted share in the prior year quarter.

Home & Community segment net service revenues for the second quarter of 2011 were \$55.0 million, a 1.6% increase from the prior year quarter. Home & Community segment revenues included approximately \$2.4 million from CarePro operations. Excluding locations closed in late 2010 and program eliminations in select states totaling \$1.8 million in revenue, same store sales increased by \$0.2 million, or approximately 0.4%. Home & Community operating income, including depreciation and amortization but excluding corporate expenses, was \$6.0 million, or 10.9% of revenue in the second quarter, compared to \$5.5 million, or 10.1% of revenue, in the prior year quarter.

Home Health segment net service revenues for the second quarter of 2011 were \$13.2 million, a 1.7% increase over the prior year quarter, despite a reduction in Medicare revenues estimated at \$0.4 million as a result of the rate cut enacted in 2011. Home Health segment revenues include approximately \$0.9 million from CarePro operations. Home Health operating income, including depreciation and amortization but excluding corporate expenses, was \$0.8 million, or 6.3% of revenues, compared to \$1.7 million, or 13.0% of revenues in the prior year quarter.

Cash flow from operations was \$17.6 million for the second quarter of 2011 compared to cash used in operations of \$0.8 million in the second quarter of 2010. This improvement reflects a significant payment received late in the second quarter from the State of Illinois. Subsequent to June 30, 2011, the cash generated from operations was used to reduce the outstanding balance on the Company's line of credit and other debt.

### **Six Month Review**

Total net service revenues for the six months ended June 30, 2011 were \$135.1 million, a 2.5% increase compared to the prior year period. The acquisition of CarePro contributed approximately \$6.8 million in net service revenues in the first half of 2011.

Net income for the first half of 2011 was \$2.2 million, or \$0.20 per diluted share. This compares to net income of \$3.0 million, or \$0.29 per diluted share in the same period of 2010.

Home & Community segment net service revenues for the six months ended June 30, 2011 were \$109.2 million, a 2.2% increase compared to the prior year period. Home & Community segment revenues included approximately \$4.9 million from CarePro operations. Excluding locations closed in late 2010 and program eliminations in select states totaling \$3.8 million in revenue, same store sales increased by \$1.2 million, or approximately 1.1%. Home & Community operating income, including depreciation and amortization but excluding corporate expenses, was \$11.3 million, or 10.4% of revenue in the first half of 2011, compared to \$11.0 million, or 10.3% of revenue, in the prior year period.

Home Health segment net service revenues for the six months ended June 30, 2011 were \$25.9 million, a 4.1% increase compared to the prior year period. Home Health segment revenues include approximately \$1.9 million from CarePro operations. After adjusting for the Medicare rate reduction in 2011 of approximately \$0.8 million, same store sales decreased by \$0.1 million, or 0.3%. Home Health operating income, including depreciation and amortization but excluding corporate expenses, was \$1.5 million, or 5.9% of revenues for the first half of 2011, compared to \$2.7 million, or 10.8% of revenues in the prior year period.

Cash flow from operations was \$29.1 million for the first half of 2011 compared to \$0.8 million in the same period in 2010 due largely to the improved payments received from the State of Illinois, combined with an overall improvement in collections from all other payors. Subsequent to June 30, 2011, the cash from operations was used to reduce the outstanding balance on the Company's line of credit and other debt.

## Non-GAAP Financial Measures

The information provided in this release includes Adjusted EBITDA, a non-GAAP financial measure, which the Company defines as net income plus depreciation and amortization, net interest expense, income tax expense and stock-based compensation expense. The Company has provided, in the financial statement tables included in this press release, a reconciliation of Adjusted EBITDA to net income, the most directly comparable GAAP measure. Management believes that Adjusted EBITDA is useful to investors, management and others in evaluating the Company's operating performance to provide investors with insight and consistency in the Company's financial reporting and present a basis for comparison of the Company's business operations among periods, and to facilitate comparison with the results of the Company's peers.

## Conference Call

Addus will report its 2011 second quarter results after the market close on Thursday, August 4, 2011. Management will conduct a conference call to discuss its results at 5 p.m. Eastern time on August 4, 2011. The toll-free number is (866) 730-5770 (international callers should call 857-350-1594), with the passcode: 30071147. A telephonic replay of the conference call will be available through midnight on August 18, 2011 by dialing (888) 286-8010 (international callers should call 617-801-6888) and entering the passcode 89988113.

A live broadcast of Addus HomeCare's conference call will be available under the Investor Relations section of the Company's website, [www.addus.com](http://www.addus.com). An online replay of the conference call will also be available on the Company's website for one month, beginning approximately three hours following the conclusion of the live broadcast.

## About Addus

Addus is a comprehensive provider of a broad range of social and medical services in the home. Addus' services include personal care and assistance with activities of daily living, skilled nursing and rehabilitative therapies, and adult day care. Addus' consumers are individuals with special needs who are at risk of hospitalization or institutionalization, such as the elderly, chronically ill and disabled. Addus' payor clients include federal, state and local governmental agencies, commercial insurers and private individuals.

## Forward-Looking Statements

Certain matters discussed in this press release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by words such as "continue," "expect," and similar expressions. Forward-looking statements involve a number of risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements, including the expected benefits and costs of acquisitions, management plans related to acquisitions, the possibility that expected benefits may not materialize as expected, the failure of a target company's business to perform as expected, Addus HomeCare's inability to successfully implement integration strategies, changes in reimbursement, changes in government regulations, changes in Addus HomeCare's relationships with referral sources, increased competition for Addus HomeCare's services, increased competition for joint venture and acquisition candidates, changes in the interpretation of government regulations, and other risks set forth in the Risk Factors section in Addus HomeCare's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 28, 2010, and in Addus HomeCare's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 4, 2011, each of which is available at <http://www.sec.gov>. Addus HomeCare undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

(Unaudited tables and notes follow)

**ADDUS HOMECARE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Income and Cash Flow Information**  
**(amounts and shares in thousands, except per share data)**  
**(Unaudited)**

| <b>Income Statement Information:</b> | <b>For the Three Months Ended June 30, For the Six Months Ended June 30,</b> |                 |                 |                 |
|--------------------------------------|--|-----------------|-----------------|-----------------|
|                                      | <b>2011</b>  | <b>2010</b>     | <b>2011</b>     | <b>2010</b>     |
| Net service revenues                 | \$ 68,252  | \$ 67,165       | \$ 135,094      | \$ 131,770      |
| Cost of service revenues             | 48,142   | 47,429          | 95,930          | 93,214          |
| Gross profit                         | 20,110   | 19,736          | 39,164          | 38,556          |
| General and administrative expenses  | 16,493   | 15,513          | 32,612          | 30,695          |
| Depreciation and amortization        | 927  | 951             | 1,856           | 1,897           |
| Total operating expenses             | 17,420   | 16,464          | 34,468          | 32,592          |
| Operating income                     | 2,690  | 3,272           | 4,696           | 5,964           |
| Interest expense, net                | 668  | 750             | 1,381           | 1,468           |
| Income from operations before taxes  | 2,022  | 2,522           | 3,315           | 4,496           |
| Income tax expense                   | 689  | 868             | 1,129           | 1,484           |
| Net income                           | <u>\$ 1,333</u>  | <u>\$ 1,654</u> | <u>\$ 2,186</u> | <u>\$ 3,012</u> |

Income per common share:

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Basic   | \$ 0.12 | \$ 0.16 | \$ 0.20 | \$ 0.29 |
| Diluted   | \$ 0.12 | \$ 0.16 | \$ 0.20 | \$ 0.29 |
| Weighted average number of common shares outstanding: |         |         |         |         |
| Basic   | 10,746  | 10,500  | 10,746  | 10,500  |
| Diluted   | 10,770  | 10,500  | 10,762  | 10,500  |

**Cash Flow Information:**

|   | For the Six Months Ended June 30, |        |
|---|-----------------------------------|--------|
|   | 2011                              | 2010   |
| Net cash provided by operating activities           | \$ 29,098                         | \$ 795 |
| Net cash used in investing activities               | (632)                             | (695)  |
| Net cash provided by (used in) financing activities | (5,177)                           | 317    |
| Net change in cash                                  | 23,289                            | 417    |
| Cash at the beginning of the period                 | 816                               | 518    |
| Cash at the end of the period                       | \$ 24,105                         | \$ 935 |

**Condensed Consolidated Balance Sheets**  
(Amounts in thousands)  
(Unaudited)

|   | June 30, 2011 | December 31, 2010 |
|---|---------------|-------------------|
| <u>Assets</u>                               |               |                   |
| Current assets                              |               |                   |
| Cash  | \$ 24,105     | \$ 816            |
| Accounts receivable, net                    | 51,285        | 70,954            |
| Prepaid expenses and other current assets   | 9,090         | 7,704             |
| Deferred tax assets                         | 6,338         | 6,324             |
| Total current assets                        | 90,818        | 85,798            |
| Property and equipment, net                 | 2,576         | 2,923             |
| Other assets                                |               |                   |
| Goodwill                                    | 63,851        | 63,930            |
| Intangible assets, net                      | 12,193        | 13,570            |
| Other assets                                | 612           | 703               |
| Total other assets                          | 76,656        | 78,203            |
| Total assets                                | \$ 170,050    | \$ 166,924        |
| <u>Liabilities and stockholders' equity</u> |               |                   |
| Current liabilities                         |               |                   |
| Accounts payable                            | \$ 5,246      | \$ 3,304          |
| Accrued expenses                            | 31,465        | 26,529            |
| Current maturities of long-term debt        | 6,000         | 5,158             |
| Deferred revenue                            | 2,328         | 2,141             |
| Total current liabilities                   | 45,039        | 37,132            |
| Long-term debt, less current maturities     | 34,027        | 40,027            |
| Deferred tax liabilities                    | 562           | 562               |
| Other long-term liabilities                 | -             | 1,112             |

|                            |        |        |
|----------------------------|--------|--------|
| Total stockholders' equity | 90,422 | 88,091 |
|----------------------------|--------|--------|

|  |            |            |
|--|------------|------------|
| Total liabilities and stockholders' equity | \$ 170,050 | \$ 166,924 |
|--|------------|------------|

Segment Information (Unaudited)

**For the Three Months Ended June 30, 2011**

|                                     | Home & Community | Home Health | Corporate  | Total     |
|-------------------------------------|------------------|-------------|------------|-----------|
| Net service revenues                | \$ 55,009        | \$ 13,243   | \$ -       | \$ 68,252 |
| Cost of service revenues            | 41,076           | 7,066       | -          | 48,142    |
| Gross profit                        | 13,933           | 6,177       | -          | 20,110    |
| Gross profit percentage             | 25.3%            | 46.6%       |            | 29.5%     |
| General and administrative expenses | 7,304            | 5,208       | 3,981      | 16,493    |
| Depreciation and amortization       | 609              | 129         | 189        | 927       |
| Total operating expenses            | 7,913            | 5,337       | 4,170      | 17,420    |
| Operating income                    | \$ 6,020         | \$ 840      | \$ (4,170) | \$ 2,690  |
| Operating income percentage         | 10.9%            | 6.3%        | -6.1%      | 3.9%      |

**For the Three Months Ended June 30, 2010**

|                                     | Home & Community | Home Health | Corporate  | Total     |
|-------------------------------------|------------------|-------------|------------|-----------|
| Net service revenues                | \$ 54,144        | \$ 13,021   | \$ -       | \$ 67,165 |
| Cost of service revenues            | 40,450           | 6,979       | -          | 47,429    |
| Gross profit                        | 13,694           | 6,042       | -          | 19,736    |
| Gross profit percentage             | 25.3%            | 46.4%       |            | 29.4%     |
| General and administrative expenses | 7,581            | 4,196       | 3,736      | 15,513    |
| Depreciation and amortization       | 621              | 158         | 172        | 951       |
| Total operating expenses            | 8,202            | 4,354       | 3,908      | 16,464    |
| Operating income                    | \$ 5,492         | \$ 1,688    | \$ (3,908) | \$ 3,272  |
| Operating income percentage         | 10.1%            | 13.0%       | -5.8%      | 4.9%      |

**For the Six Months Ended June 30, 2011**

|                                     | Home & Community | Home Health | Corporate  | Total      |
|-------------------------------------|------------------|-------------|------------|------------|
| Net service revenues                | \$ 109,152       | \$ 25,942   | \$ -       | \$ 135,094 |
| Cost of service revenues            | 81,853           | 14,077      | -          | 95,930     |
| Gross profit                        | 27,299           | 11,865      | -          | 39,164     |
| Gross profit percentage             | 25.0%            | 45.7%       |            | 29.0%      |
| General and administrative expenses | 14,735           | 10,070      | 7,807      | 32,612     |
| Depreciation and amortization       | 1,219            | 257         | 380        | 1,856      |
| Total operating expenses            | 15,954           | 10,327      | 8,187      | 34,468     |
| Operating income                    | \$ 11,345        | \$ 1,538    | \$ (8,187) | \$ 4,696   |
| Operating income percentage         | 10.4%            | 5.9%        | -6.1%      | 3.5%       |

**For the Six Months Ended June 30, 2010**

|                      | Home & Community | Home Health | Corporate | Total      |
|----------------------|------------------|-------------|-----------|------------|
| Net service revenues | \$ 106,845       | \$ 24,925   | \$ -      | \$ 131,770 |

|                                     |           |          |            |          |
|-------------------------------------|-----------|----------|------------|----------|
| Cost of service revenues            | 79,724    | 13,490   | -          | 93,214   |
| Gross profit                        | 27,121    | 11,435   | -          | 38,556   |
| Gross profit percentage             | 25.4%     | 45.9%    |            | 29.3%    |
| General and administrative expenses | 14,903    | 8,420    | 7,372      | 30,695   |
| Depreciation and amortization       | 1,235     | 321      | 341        | 1,897    |
| Total operating expenses            | 16,138    | 8,741    | 7,713      | 32,592   |
| Operating income                    | \$ 10,983 | \$ 2,694 | \$ (7,713) | \$ 5,964 |
| Operating income percentage         | 10.3%     | 10.8%    | -5.9%      | 4.5%     |

**Key Statistical and Financial Data (Unaudited) (3)**

|   | For the Three Months Ended June 30, |          | For the Six Months Ended June 30, |          |
|---|-------------------------------------|----------|-----------------------------------|----------|
|   | 2011                                | 2010     | 2011                              | 2010     |
| <b>General:</b>                         |                                     |          |                                   |          |
| Adjusted EBITDA (in thousands) (1)      | \$ 3,714                            | \$ 4,289 | \$ 6,697                          | \$ 7,989 |
| States served at period end             |                                     |          | 19                                | 16       |
| Locations at period end                 |                                     |          | 125                               | 122      |
| Employees at period end                 |                                     |          | 13,366                            | 13,123   |
| <b>Home &amp; Community</b>             |                                     |          |                                   |          |
| Average weekly census                   | 21,036                              | 20,648   | 20,948                            | 20,421   |
| Billable hours (in thousands)           | 3,229                               | 3,252    | 6,414                             | 6,424    |
| Billable hours per business day         | 50,456                              | 50,819   | 50,506                            | 50,582   |
| Revenues per billable hour              | \$ 17.03                            | \$ 16.65 | \$ 17.02                          | \$ 16.63 |
| <b>Home Health</b>                      |                                     |          |                                   |          |
| Average weekly census:                  |                                     |          |                                   |          |
| Medicare                                | 1,475                               | 1,602    | 1,470                             | 1,533    |
| Non-Medicare                            | 1,528                               | 1,493    | 1,521                             | 1,515    |
| Medicare admissions (2)                 | 2,274                               | 2,179    | 4,547                             | 4,315    |
| Medicare revenues per episode completed | \$ 2,581                            | \$ 2,633 | \$ 2,692                          | \$ 2,598 |
| <b>Percentage of Revenues by Payor:</b> |                                     |          |                                   |          |
| State, local or other governmental      | 80%                                 | 79%      | 80%                               | 80%      |
| Medicare                                | 13%                                 | 13%      | 13%                               | 12%      |
| Other                                   | 7%                                  | 8%       | 7%                                | 8%       |

(1) We define Adjusted EBITDA as earnings before interest, taxes, depreciation, amortization, and stock-based compensation expense. Adjusted EBITDA is a performance measure used by management that is not calculated in accordance with generally accepted accounting principles in the United States (GAAP). It should not be considered in isolation or as a substitute for net income, operating income or any other measure of financial performance calculated in accordance with GAAP.

(2) Medicare admissions represents the aggregate number of new cases approved for Medicare services during a specified period.

(3) Key statistical and financial data for the three and six months ended June 30, 2011 includes the acquisition of Advantage Health Systems, Inc.

| Adjusted EBITDA (1) (Unaudited)                  | For the Three Months Ended June 30, |          | For the Six Months Ended June 30, |          |
|--|-------------------------------------|----------|-----------------------------------|----------|
|  | 2011                                | 2010     | 2011                              | 2010     |
| Reconciliation of Adjusted EBITDA to Net Income: |                                     |          |                                   |          |
| Net income                                       | \$ 1,333                            | \$ 1,654 | \$ 2,186                          | \$ 3,012 |
| Net interest expense                             | 668                                 | 750      | 1,381                             | 1,468    |
| Income tax expense                               | 689                                 | 868      | 1,129                             | 1,484    |
| Depreciation and amortization                    | 927                                 | 951      | 1,856                             | 1,897    |
| Stock-based compensation expense                 | 97                                  | 66       | 145                               | 128      |

|                 |                 |                 |                 |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| Adjusted EBITDA | <u>\$ 3,714</u> | <u>\$ 4,289</u> | <u>\$ 6,697</u> | <u>\$ 7,989</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|

(1) We define Adjusted EBITDA as earnings before interest, taxes, depreciation, amortization, and stock-based compensation expense. Adjusted EBITDA is a performance measure used by management that is not calculated in accordance with generally accepted accounting principles in the United States (GAAP). It should not be considered in isolation or as a substitute for net income, operating income or any other measure of financial performance calculated in accordance with GAAP.

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