



Addus HomeCare Reports Second Quarter 2013 Results

August 1, 2013 at 4:09 PM EDT

Second Quarter Financial Highlights

- Total net service revenues were \$65.8 million

- Net income from continuing operations were \$2.6 million, or \$0.23 per diluted share

PALATINE, Ill., Aug. 1, 2013 /PRNewswire/ -- Addus HomeCare Corporation (Nasdaq: ADUS), a comprehensive provider of home and community based services, primarily social in nature and provided in the home, and focused on the dual eligible population, announced today its financial results for the second quarter ended June 30, 2013.

Second Quarter Review

Total net service revenues for the second quarter of 2013 were \$65.8 million, an 8.8% increase compared to \$60.4 million in the prior year quarter. Net income from continuing operations for the second quarter was \$2.6 million, or \$0.23 per diluted share, a 40.7% increase when compared to \$1.8 million or \$0.17 per diluted share, in the prior year quarter. Net income, including a loss from discontinued operations, was \$2.4 million, or \$0.22 per diluted share.

Mark Heaney, President and Chief Executive Officer of Addus HomeCare, stated, "We are pleased by the steady performance of our business and the increased cash collections in the quarter. We remain focused on our efforts to improve our organic sales results, develop and deploy technology to leverage our work force and position our organization to capitalize on the opportunities presented by the dual eligible demonstration projects in our core markets."

Operating income, including depreciation and amortization but excluding interest and income tax expenses, increased 23.7% to \$4.0 million, or 6.1% of revenue, in the second quarter, compared to \$3.2 million, or 5.3% of revenue, in the prior year quarter reflecting increased leverage of our fixed costs. This improvement was primarily due to a 4.5% increase in average census and an 8.6% increase in billable hours, driven largely by improved field productivity. The Company received a \$0.2 million benefit in revenues and gross margin during the quarter as changes to the State of Illinois' billing programs were not implemented until May 1, 2013.

The Company incurred a \$270,000 charge in the second quarter related to severance payments made for a management position terminated in the quarter. Income taxes were positively affected in the second quarter by a one-time increase in our ability to capture Work Opportunity Tax Credits estimates related to prior periods to reduce our effective tax rate by 3.0% in the quarter.

The share count increased in the quarter, a function of our increased stock price and the inclusion of stock options in our diluted share counts that previously had been "under water." The impact of this dilution on our earnings per share was \$0.01.

Total cash flow for the quarter was a positive \$21.0 million, primarily the result of a large one-time payment received from the State of Illinois at the end of June and collections made on our home health accounts receivable.

Six Month Review

Total net service revenues for the six months ended June 30, 2013 were \$128.8 million, a 7.9% increase compared to \$119.3 million in the same prior year period. Net income from continuing operations for the six months ended June 30, 2013 increased 47.1% to \$5.3 million, or \$0.48 per diluted share, compared to \$3.6 million or \$0.33 per diluted share, in the prior year period. Net income, including the loss from discontinued operations and the gain from the previously announced sale of the home health business, was \$15.7 million, or \$1.44 per diluted share.

Operating income, including depreciation and amortization, but excluding interest and income tax expenses, increased 18.2% to \$7.7 million, or 6.0% of revenue, for the six months ended June 30, 2013, compared to \$6.5 million, or 5.5% of revenue in the prior year. The Company benefited from a \$0.8 million increase in revenues and gross margin during this period as technical changes to the State of Illinois billing programs were not implemented until early May.

Non-GAAP Financial Measures

The information provided in this release includes Adjusted EBITDA, a non-GAAP financial measure, which the Company defines as earnings before discontinued operations, interest expense, taxes, depreciation, amortization, 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 to 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 2013 second quarter financial results after the market close on Thursday, August 1, 2013. Management will conduct a conference call to discuss its results at 5 p.m. Eastern time on August 1, 2013. The toll-free dial-in number is (877) 546-5018 (international dial-in number is 857-244-7550), with the passcode: 23096859. A telephonic replay of the conference call will be available through midnight on August 8, 2013, by dialing (888) 286-8010 (international dial-in number is 617-801-6888) and entering the passcode 49225122.

Net income	<u>\$ 2,432</u>	<u>\$ 1,464</u>	<u>\$ 15,693</u>	<u>\$ 2,093</u>
Net income (loss) per share:				
Basic				
Continuing operations	\$ 0.24	\$ 0.17	\$ 0.49	\$ 0.33
Discontinued operations	<u>(0.01)</u>	<u>(0.03)</u>	<u>0.97</u>	<u>(0.14)</u>
Basic income per share	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 1.46</u>	<u>\$ 0.19</u>
Diluted				
Continuing operations	\$ 0.23	\$ 0.17	\$ 0.48	\$ 0.33
Discontinued operations	<u>(0.01)</u>	<u>(0.03)</u>	<u>0.96</u>	<u>(0.14)</u>
Diluted income per share	<u>\$ 0.22</u>	<u>\$ 0.14</u>	<u>\$ 1.44</u>	<u>\$ 0.19</u>
Weighted average number of common shares outstanding:				
Basic	<u>10,785</u>	<u>10,761</u>	<u>10,779</u>	<u>10,761</u>
Diluted	<u>11,016</u>	<u>10,785</u>	<u>10,920</u>	<u>10,781</u>

Cash Flow Information:	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Net cash provided by operating activities	\$ 21,221	\$ 7,015	\$ 34,246	\$ 5,732
Net cash provided by (used in) investing activities	(228)	(466)	19,252	(259)
Net cash used in financing activities	<u>-</u>	<u>(6,375)</u>	<u>(16,458)</u>	<u>(6,000)</u>
Net change in cash	20,993	174	37,040	(527)
Cash at the beginning of the period	<u>17,784</u>	<u>1,319</u>	<u>1,737</u>	<u>2,020</u>
Cash at the end of the period	<u>\$ 38,777</u>	<u>\$ 1,493</u>	<u>\$ 38,777</u>	<u>\$ 1,493</u>

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

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Assets		
Current assets		
Cash	\$ 38,777	\$ 1,737
Accounts receivable, net	43,605	71,303
Prepaid expenses and other current assets	5,754	7,293
Assets held for sale	-	245
Deferred tax assets	<u>7,258</u>	<u>7,258</u>
Total current assets	<u>95,394</u>	<u>87,836</u>
Property and equipment, net	<u>2,502</u>	<u>2,489</u>
Other assets		
Goodwill	50,456	50,536
Intangible assets, net	5,691	6,370
Deferred tax assets	-	2,328
Investment in joint venture	900	-
Other assets	<u>212</u>	<u>298</u>
Total other assets	<u>57,259</u>	<u>59,532</u>
Total assets	<u>\$ 155,155</u>	<u>\$ 149,857</u>

Liabilities and stockholders' equity

Current liabilities		
Accounts payable	\$ 5,415	\$ 4,117
Accrued expenses	36,365	32,717
Current maturities of long-term debt	-	208
Deferred revenue	10	2,148
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Total current liabilities	41,790	39,190
Long-term debt, less current maturities	-	16,250
Deferred tax liability	3,097	-
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Total stockholders' equity	110,268	94,417
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Total liabilities and stockholders' equity	\$ 155,155	\$ 149,857

Key Statistical and Financial Data (Unaudited)

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General:				
Adjusted EBITDA (in thousands) (1)	\$4,633	\$3,921	\$9,026	\$7,937
States served at period end			19	19
Locations at period end			93	91
Employees at period end			14,854	13,485
Home & Community				
Average billable census	26,173	25,044	26,501	24,761
Billable hours (in thousands)	3,872	3,564	7,586	7,034
Average billable hours per census per month	49	47	48	48
Billable hours per business day	59,569	54,831	58,806	54,108
Revenues per billable hour	\$16.98	\$16.96	\$16.97	\$16.96

Percentage of Revenues by Payor:

State, local and other governmental programs	94 %	95 %	94 %	95 %
Commercial	2	1	2	1
Private duty	4 %	4 %	4 %	4 %

(1) We define Adjusted EBITDA as earnings before discontinued operations, interest expense, 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.

<u>Adjusted EBITDA (1) (Unaudited)</u>	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Reconciliation of Adjusted EBITDA to Net Income:				
Net income	\$2,432	\$1,464	\$15,693	\$2,093
Less: (Earnings) loss from discontinued operations, net of tax	150	371	(10,424)	1,488
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Net income from continuing operations	2,582	1,835	5,269	3,581
Interest expense	142	426	350	830
Income tax expense from continuing operations	1,256	956	2,103	2,124

Depreciation and amortization	541	631	1,087	1,262
Stock-based compensation expense	<u>112</u>	<u>73</u>	<u>217</u>	<u>140</u>
Adjusted EBITDA	<u><u>\$4,633</u></u>	<u><u>\$3,921</u></u>	<u><u>\$ 9,026</u></u>	<u><u>\$7,937</u></u>

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SOURCE Addus HomeCare Corporation