

Alliance HealthCare Services, Inc
Form 10-Q
May 07, 2009

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
SECURITIES EXCHANGE ACT OF 1934**

**For Quarter Ended: March 31, 2009
Commission File Number: 1-16609**

ALLIANCE HEALTHCARE SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

33-0239910
(IRS Employer Identification Number)

**100 Bayview Circle
Suite 400
Newport Beach, California 92660**
(Address of principal executive office)
(949) 242-5300

(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 No

Indicate by check mark whether the registrant has 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 registrant was 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 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

(Do not check if a smaller
reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 2009:

Common Stock, \$.01 par value, 51,655,133 shares

Table of Contents

ALLIANCE HEALTHCARE SERVICES, INC.

FORM 10-Q

March 31, 2009

Index

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1 Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets</u>	
<u>December 31, 2008 and March 31, 2009 (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Income</u>	
<u>Quarters ended March 31, 2008 and 2009 (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	
<u>Quarters ended March 31, 2008 and 2009 (Unaudited)</u>	<u>4</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>5</u>
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
<u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u>	<u>39</u>
<u>Item 4 Controls and Procedures</u>	<u>41</u>
<u>PART II OTHER INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	<u>43</u>
<u>Item 1A Risk Factors</u>	<u>43</u>
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>43</u>
<u>Item 3 Defaults Upon Senior Securities</u>	<u>43</u>
<u>Item 4 Submission of Matters to a Vote of Security Holders</u>	<u>43</u>
<u>Item 5 Other Information</u>	<u>43</u>
<u>Item 6 Exhibits</u>	<u>43</u>
<u>SIGNATURES</u>	<u>48</u>

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

ALLIANCE HEALTHCARE SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands)

	December 31, 2008	March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 73,305	\$ 91,109
Accounts receivable, net of allowance for doubtful accounts	67,147	69,888
Deferred income taxes	17,719	17,719
Prepaid expenses and other current assets	10,272	8,366
Other receivables	7,902	9,075
Total current assets	176,345	196,157
Equipment, at cost	836,842	834,466
Less accumulated depreciation	(479,609)	(487,265)
Equipment, net	357,233	347,201
Goodwill	193,430	193,683
Other intangible assets, net	110,720	108,442
Deferred financing costs, net	7,173	6,750
Other assets	38,822	36,069
Total assets	\$ 883,723	\$ 888,302
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 21,468	\$ 14,586
Accrued compensation and related expenses	18,575	17,921
Accrued interest payable	3,642	8,777
Other accrued liabilities	38,446	34,885
Current portion of long-term debt	7,743	7,297
Total current liabilities	89,874	83,466
Long-term debt, net of current portion	365,323	368,577
Senior subordinated notes	289,496	290,051
Other liabilities	7,901	8,775
Deferred income taxes	102,136	103,982

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Total liabilities	854,730	854,851
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock	514	514
Treasury stock	(430)	(430)
Additional paid-in capital	4,606	6,154
Accumulated comprehensive loss	(2,159)	(3,021)
Retained earnings	20,996	25,324
Total stockholders' equity attributable to Alliance HealthCare Services, Inc.	23,527	28,541
Noncontrolling interest	5,466	4,910
Total stockholders' equity	28,993	33,451
Total liabilities and stockholders' equity	\$ 883,723	\$ 888,302

See accompanying notes.

Table of Contents**ALLIANCE HEALTHCARE SERVICES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME****(Unaudited)****(in thousands, except per share amounts)**

	Quarter Ended March 31,	
	2008	2009
Revenues	\$ 119,121	\$ 131,788
Costs and expenses:		
Cost of revenues, excluding depreciation and amortization	62,782	68,879
Selling, general and administrative expenses	15,709	17,893
Transaction costs		431
Severance and related costs	147	182
Depreciation expense	21,413	23,650
Amortization expense	1,857	2,776
Interest expense and other, net	11,816	10,677
Other (income) and expense, net	(62)	(256)
Total costs and expenses	113,662	124,232
Income before income taxes, earnings from unconsolidated investees, and noncontrolling interest, net of tax	5,459	7,556
Income tax expense	2,677	3,161
Earnings from unconsolidated investees	(1,224)	(587)
Net income	4,006	4,982
Less: Net income attributable to noncontrolling interest, net of tax	(594)	(654)
Net income attributable to Alliance HealthCare Services, Inc.	\$ 3,412	\$ 4,328
Comprehensive income, net of taxes:		
Net income attributable to Alliance HealthCare Services, Inc.	\$ 3,412	\$ 4,328
Unrealized loss on hedging transactions, net of taxes	(1,738)	(862)
Comprehensive income	\$ 1,674	\$ 3,466
Earnings per common share attributable to Alliance HealthCare Services, Inc.:		
Basic	\$ 0.07	\$ 0.08
Diluted	\$ 0.07	\$ 0.08
Weighted-average number of shares of common stock and common stock equivalents:		
Basic	51,027	51,651
Diluted	51,986	52,294

See accompanying notes.

Table of Contents

ALLIANCE HEALTHCARE SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Quarter Ended March 31,	
	2008	2009
Operating activities:		
Net income attributable to Alliance HealthCare Services, Inc.	\$ 3,412	\$ 4,328
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	1,509	466
Share-based payment	1,526	1,663
Depreciation and amortization	23,270	26,426
Amortization of deferred financing costs	569	580
Accretion of discount on senior subordinated notes	461	555
Adjustment of derivatives to fair value		(635)
Distributions greater than undistributed earnings from investees	76	65
Noncontrolling interest in subsidiaries	257	(556)
Deferred income taxes	1,235	2,414
Excess tax benefit from share-based payment arrangements	(20)	(7)
Gain on sale of assets	(62)	(362)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,301)	(3,207)
Prepaid expenses and other current assets	1,905	1,937
Other receivables	1,235	(2,365)
Other assets	380	(4,481)
Accounts payable	(8,394)	(1,019)
Accrued compensation and related expenses	721	(654)
Accrued interest payable	4,628	5,135
Income taxes payable		70
Other accrued liabilities	(209)	1,305
Other liabilities	124	(1)
Net cash provided by operating activities	28,322	31,657
Investing activities:		
Equipment purchases	(16,975)	(14,891)
Decrease (increase) in deposits on equipment	1,209	(905)
Acquisitions, net of cash received	(10,799)	(580)
Decrease in cash in escrow		2,075
Proceeds from sale of assets	1,045	2,348
Net cash used in investing activities	(25,520)	(11,953)
Financing activities:		
Principal payments on equipment debt	(941)	(2,207)
Proceeds from equipment debt		415
Principal payments on term loan facility	(15,000)	
Payments of debt issuance costs	(647)	(157)
Proceeds from share-based payment arrangements	73	42
Excess tax benefit from share-based payment arrangements	20	7
Net cash used in financing activities	(16,495)	(1,900)
Net (decrease) increase in cash and cash equivalents	(13,693)	17,804

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Cash and cash equivalents, beginning of period	120,892	73,305
Cash and cash equivalents, end of period	\$ 107,199	\$ 91,109
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7,157	\$ 5,196
Income taxes paid, net of refunds	1,075	216
Supplemental disclosure of non-cash investing and financing activities:		
Net book value of assets exchanged	\$ 27	\$
Capital lease obligations related to the purchase of equipment	1,645	5,307
Capital lease obligations transferred		(707)
Comprehensive loss from hedging transactions, net of taxes	(1,738)	(862)
Equipment purchases in accounts payable	278	20

See accompanying notes.

Table of Contents

ALLIANCE HEALTHCARE SERVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009

(Unaudited)

(Dollars in thousands, except per share amounts)

1. Basis of Presentation, Principles of Consolidation, and Use of Estimates

Basis of Presentation The accompanying unaudited condensed consolidated financial statements have been prepared by Alliance HealthCare Services, Inc. (the "Company") in accordance with accounting principles generally accepted in the United States of America and with the instructions to Form 10-Q and Article 10 of Reg