

RADIOLOGIX INC
Form 10-Q
November 08, 2006
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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 September 30, 2006

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____

Commission File No. 0-23311

RADIOLOGIX, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3600 JP Morgan Chase Tower

2200 Ross Avenue

Dallas, Texas 75201-2776

(Address of principal executive offices, including zip code)

(214) 303-2776

(Registrant's telephone number, including area code)

75-2648089
(I.R.S. Employer

Identification No.)

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 the latest practicable date.

Class	Outstanding at October 25, 2006
Common Stock, \$0.0001 par value	22,242,417 shares

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Table of Contents**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****RADIOLOGIX, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data)**

	September 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 49,753	\$ 36,004
Restricted cash	5,800	5,662
Accounts receivable, net of allowances	42,500	40,815
Due from affiliates	705	1,737
Federal and state income tax receivables	6,064	6,189
Other current assets	4,993	5,491
Total current assets	\$ 109,815	\$ 95,898
Property and equipment, net	64,893	67,965
Investments in joint ventures	9,757	10,597
Intangible assets, net	51,551	54,050
Deferred financing costs, net	3,704	4,942
Other assets	586	1,076
Total assets	\$ 240,306	\$ 234,528
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and other accrued expenses	\$ 7,931	\$ 10,157
Accrued physician retention	7,536	7,051
Accrued salaries and benefits	8,335	6,987
Accrued interest	4,836	685
Current maturities of capital lease obligations	34	32
Other current liabilities	409	477
Total current liabilities	\$ 29,081	\$ 25,389
Long-term debt, net of current portion	158,270	158,270
Convertible debt	11,980	11,980
Capital lease obligations, net of current portion	36	62
Deferred revenue	6,187	6,494
Other liabilities	1,915	1,488
Total liabilities	\$ 207,469	\$ 203,683
Commitments and contingencies		
Minority interests in consolidated subsidiaries	1,168	1,874
STOCKHOLDERS EQUITY:		
Preferred stock, \$.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding		

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Common stock, \$.0001 par value; 50,000,000 shares authorized; 22,261,101 shares issued at September 30, 2006 and December 31, 2005, and 22,242,417 outstanding at September 30, 2006 and December 31, 2005	2	2
Treasury stock	(180)	(180)
Additional paid-in capital	16,750	15,615
Retained earnings	15,097	13,534
Total stockholders' equity	\$ 31,669	\$ 28,971
Total liabilities and stockholders' equity	\$ 240,306	\$ 234,528

See accompanying notes to consolidated financial statements.

Table of Contents**RADIOLOGIX, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except share and per share data)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006 (Unaudited)	2005 (As restated)	2006 (Unaudited)	2005 (As restated)
Service fee revenue	\$ 63,643	\$ 62,258	\$ 193,889	\$ 189,320
Costs of operations:				
Cost of services	40,387	40,389	121,635	120,838
Equipment leases	4,111	3,545	11,753	9,582
Provision for doubtful accounts	5,489	4,521	16,376	13,647
Depreciation and amortization	6,432	5,931	18,456	17,433
Gross profit	\$ 7,224	\$ 7,872	\$ 25,669	\$ 27,820
Merger costs	1,049		1,049	
Corporate general and administrative	3,174	3,862	12,338	13,195
Interest expense, net, including amortization of deferred financing costs	4,325	4,561	13,128	13,802
Income (loss) before equity in earnings of unconsolidated affiliates, minority interests in consolidated subsidiaries, income taxes and discontinued operations	\$ (1,324)	\$ (551)	\$ (846)	\$ 823
Equity in earnings of unconsolidated affiliates	939	1,227	3,009	2,888
Minority interests in earnings of consolidated subsidiaries	(163)	(184)	(541)	(487)
INCOME (LOSS) BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	\$ (548)	\$ 492	\$ 1,622	\$ 3,224
Income tax expense	184	275	354	444
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ (732)	\$ 217	\$ 1,268	\$ 2,780
Discontinued Operations:				
Income (loss) from discontinued operations before income taxes	18	(582)	295	(986)
Income tax expense				
Income (loss) from discontinued operations	\$ 18	\$ (582)	\$ 295	\$ (986)
NET INCOME (LOSS)	\$ (714)	\$ (365)	\$ 1,563	\$ 1,794
INCOME (LOSS) PER COMMON SHARE:				
Income (loss) from continuing operations basic	\$ (0.03)	\$ 0.01	\$ 0.06	\$ 0.13
Income (loss) from discontinued operations basic	\$	\$ (0.03)	\$ 0.01	\$ (0.05)
Net income (loss) basic	\$ (0.03)	\$ (0.02)	\$ 0.07	\$ 0.08
Income (loss) from continuing operations diluted	\$ (0.03)	\$ 0.01	\$ 0.06	\$ 0.13

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Income (loss) from discontinued operations	diluted	\$	\$	(0.03)	\$	0.01	\$	(0.05)	
Net income (loss)	diluted	\$	(0.03)	\$	(0.02)	\$	0.07	\$	0.08

WEIGHTED AVERAGE SHARES OUTSTANDING:

Basic	22,242,417	22,138,145	22,242,417	22,030,959
Diluted	22,242,417	22,411,042	22,279,253	22,342,653

See accompanying notes to unaudited consolidated financial statements

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	For the Nine Months Ended	
	September 30,	2005
	2006	(As restated)
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,563	\$ 1,794
Adjustments to reconcile net income to net cash provided by operating activities including discontinued operations:		
Minority interests in income of consolidated subsidiaries	541	487
Distributions to minority interests in consolidated subsidiaries	(1,247)	
Equity in earnings of unconsolidated affiliates	(3,009)	(2,888)
Distributions from unconsolidated affiliates	3,849	1,294
Depreciation and amortization	18,456	17,433
Amortization of deferred financing costs	1,238	1,237
Gains on sales of equipment	(857)	(651)
Deferred revenue	(307)	(307)
Restricted stock compensation expense	1,135	395
Deferred income tax expense		(204)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,685)	3,075
Income taxes receivable	125	2,368
Other assets	894	1,644
Accounts payable and accrued expenses	4,953	2,798
Net cash provided by operating activities	\$ 25,649	\$ 28,475
CASH FLOWS FROM INVESTING ACTIVITIES:		