

NightHawk Radiology Holdings Inc
Form 10-Q
August 06, 2010
[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, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 000-51786

NightHawk Radiology Holdings, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: NightHawk Radiology Holdings Inc - Form 10-Q

Delaware (State or other jurisdiction of incorporation or organization)	87-0722777 (IRS Employer Identification No.)
4900 N. Scottsdale Road, 6th Floor, Scottsdale, Arizona (Address of principal executive offices)	85251 (Zip code)
(480) 822-4000 (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 (§232.405 of this chapter) 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

As of July 31, 2010, 23,738,092 shares of the Registrant's common stock were outstanding.

Table of Contents

TABLE OF CONTENTS

Part I

Item 1.	<u>Financial Statements</u>	3
	<u>Condensed Consolidated Statements of Operations</u>	3
	<u>Condensed Consolidated Balance Sheets</u>	4
	<u>Condensed Consolidated Statements of Cash Flows</u>	5
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
Item 4.	<u>Controls and Procedures</u>	30

Part II

Item 1.	<u>Legal Proceedings</u>	30
Item 1A.	<u>Risk Factors</u>	31
Item 6.	<u>Exhibits</u>	41
	<u>Signatures</u>	42

Table of Contents**PART 1 FINANCIAL INFORMATION****Item 1. Financial Statements****NIGHTHAWK RADIOLOGY HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**

(In thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Service revenue	\$ 33,560	\$ 36,760	\$ 65,165	\$ 70,342
Operating costs and expenses:				
Professional services	16,327	17,393	32,986	33,261
Sales, general, and administrative	13,538	13,211	26,666	25,224
Depreciation and amortization	1,894	1,833	3,779	3,749
Goodwill and intangible asset impairment				61,785
Total operating costs and expenses	31,759	32,437	63,431	124,019
Operating income (loss)	1,801	4,323	1,734	(53,677)
Other income (expense):				
Interest expense	(3,744)	(1,630)	(6,828)	(3,628)
Interest income	20	50	72	105
Other, net	21	(16)	31	(8)
Total other income (expense)	(3,703)	(1,596)	(6,725)	(3,531)
Income (loss) from continuing operations before income taxes	(1,902)	2,727	(4,991)	(57,208)
Income tax expense (benefit)	664	1,065	25	(10,186)
Net income (loss) from continuing operations	(2,566)	1,662	(5,016)	(47,022)
Net income (loss) from discontinued operations (Note 12)	(1,619)	432	(18,364)	(3,497)
Net income (loss)	\$ (4,185)	\$ 2,094	\$ (23,380)	\$ (50,519)
Basic earnings (loss) per common share:				
Basic net income (loss) per share from continuing operations	\$ (0.11)	\$ 0.06	\$ (0.21)	\$ (1.77)
Basic net income (loss) per share from discontinued operations	(0.07)	0.02	(0.78)	(0.13)
Basic net income (loss) per common share	\$ (0.18)	\$ 0.08	\$ (0.99)	\$ (1.90)
Diluted earnings (loss) per common share:				
Diluted net income (loss) per share from continuing operations	\$ (0.11)	\$ 0.06	\$ (0.21)	\$ (1.77)
Diluted net income (loss) per share from discontinued operations	(0.07)	0.02	(0.78)	(0.13)
Diluted net income (loss) per common share	\$ (0.18)	\$ 0.08	\$ (0.99)	\$ (1.90)

Edgar Filing: NightHawk Radiology Holdings Inc - Form 10-Q

Weighted averages of common shares outstanding:				
Basic	23,671,256	26,490,880	23,624,158	26,569,576
Diluted	23,671,256	26,958,693	23,624,158	26,569,576

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**NIGHTHAWK RADIOLOGY HOLDINGS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

(In thousands, except share data)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,311	\$ 26,293
Marketable securities		6,000
Trade accounts receivable, net	17,393	17,468
Notes receivable, current	4,609	
Deferred income taxes	2,426	1,022
Income tax receivable	11,626	2,215
Prepaid expenses and other current assets	3,357	1,922
Current assets of discontinued operations	1,492	4,344
Total current assets	65,214	59,264
Property and equipment, net	10,368	11,025
Intangible assets, net	20,287	22,190
Deferred income taxes	13,962	14,408
Notes receivable, non-current	8,173	
Other assets, net	2,069	4,646
Long-term assets of discontinued operations		54,141
Total	\$ 120,073	\$ 165,674
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 6,166	\$ 6,130
Accrued expenses and other liabilities	3,506	3,160
Accrued payroll and related benefits	3,535	3,460
Long-term debt, due within one year	10,518	802
Current liabilities of discontinued operations	266	622
Total current liabilities	23,991	14,174
Insurance reserve	3,127	4,018
Long-term debt	41,287	77,404
Other liabilities	4,635	1,348
Total liabilities	73,040	96,944
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Common stock 150,000,000 shares authorized; \$.001 par value; 23,717,467 and 23,558,890 shares issued and outstanding, respectively	24	24
Additional paid-in capital	222,247	221,106
Retained earnings (deficit)	(175,039)	(151,660)
Accumulated other comprehensive income (deficit)	(199)	(740)
Total stockholders equity	47,033	68,730

Edgar Filing: NightHawk Radiology Holdings Inc - Form 10-Q

Total	\$ 120,073	\$ 165,674
-------	------------	------------

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

NIGHTHAWK RADIOLOGY HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(In thousands)

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ (23,380)	\$ (50,519)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,920	5,513
Goodwill and intangible asset impairment	27,326	68,718
Amortization of debt issuance costs and effect of interest rate swaps	6,272	2,114
Deferred income taxes	(110)	(14,195)
Non-cash stock compensation expense	1,207	2,594
Other, net	61	636
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(154)	844
Trade accounts receivable due from SPRPA	2,500	
Prepaid expenses and other assets	(1,170)	(1,899)
Income tax receivable	(9,410)	947
Accounts payable	238	389
Accrued expenses and other liabilities	95	(959)
Accrued payroll and related benefits	356	294
Net cash provided by operating activities	10,751	14,477
Cash flows from investing activities:		
Purchase of marketable securities		(4,990)