

HLTH CORP  
Form 10-Q  
August 09, 2007

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

Form 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended **June 30, 2007**
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-24975

**HLTH CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State of incorporation)*

**94-3236644**

*(I.R.S. employer identification no.)*

**669 River Drive, Center 2**

**Elmwood Park, New Jersey**

*(Address of principal executive office)*

**07407-1361**

*(Zip code)*

**(201) 703-3400**

*(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

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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.

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

As of August 6, 2007, there were 181,359,994 shares of  
HLTH Common Stock outstanding (including unvested shares of restricted  
HLTH Common Stock issued under our equity compensation plans).

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**HLTH CORPORATION**  
**QUARTERLY REPORT ON FORM 10-Q**  
**For the period ended June 30, 2007**

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Emdeon™ and Emdeon Business Services™ are among the trademarks of Emdeon Business Services, LLC or its subsidiaries.

***Note Regarding Our Name Change***

*As previously announced, we changed our name from Emdeon Corporation to HLTH Corporation in May 2007. The ticker symbol for our Common Stock, which is listed on the Nasdaq Global Select Market, remains HLTH. In connection with the name change, the CUSIP number for the Registrant's Common Stock changed to: 40422Y 101. Stockholders were not required to exchange currently outstanding stock certificates for new stock certificates.*

*We had agreed to change our name in connection with the November 2006 sale of a 52% interest in our Emdeon Business Services segment. In that sale, we transferred our rights to the name Emdeon and related intellectual property to Emdeon Business Services. Emdeon Business Services owns and continues to use the Emdeon name and related trademarks.*

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**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. All statements, other than statements of historical fact, are or may be, forward-looking statements. For example, statements concerning projections, predictions, expectations, estimates or forecasts and statements that describe our objectives, future performance, plans or goals are, or may be, forward-looking statements. These forward-looking statements reflect management's current expectations concerning future results and events and can generally be identified by the use of expressions such as may, will, should, could, would, likely, predict, potential, continue, future, expect, anticipate, intend, plan, foresee, and other similar words or phrases, as well as statements in the future tense.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. The following important risks and uncertainties could affect our future results, causing those results to differ materially from those expressed in our forward-looking statements:

the inability to successfully deploy new or updated applications or services;

the failure to achieve sufficient levels of customer utilization and market acceptance of new or updated products and services;

difficulties in forming and maintaining relationships with customers and strategic partners;

the inability to attract and retain qualified personnel;

the anticipated benefits from acquisitions not being fully realized or not being realized within the expected time frames;

general economic, business or regulatory conditions affecting the healthcare, information technology, Internet and plastics industries being less favorable than expected; and

the other risks and uncertainties described in this Quarterly Report on Form 10-Q under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That May Affect Our Future Financial Condition or Results of Operations."

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other factors, including unknown or unpredictable ones, could also have material adverse effects on our future results.

The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report. Except as required by law or regulation, we do not undertake any obligation to update any forward-looking statements to reflect subsequent events or circumstances.

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

**HLTH CORPORATION**

**CONSOLIDATED BALANCE SHEETS**  
**(In thousands, except share and per share data)**

	<b>June 30, 2007 (Unaudited)</b>	<b>December 31, 2006</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 509,969	\$ 614,691
Short-term investments	228,922	34,140
Accounts receivable, net of allowance for doubtful accounts of \$1,690 at June 30, 2007 and \$1,296 at December 31, 2006	117,045	121,608
Inventory	9,709	9,922
Due from EBS Master LLC	286	30,716
Prepaid expenses and other current assets	62,232	31,871
Total current assets	928,163	842,948
Marketable equity securities	3,166	2,633
Property and equipment, net	74,376	72,040
Goodwill	333,412	337,669
Intangible assets, net	121,260	129,473
Investment in EBS Master LLC	20,820	1,521
Other assets	39,607	65,659
<b>TOTAL ASSETS</b>	<b>\$ 1,520,804</b>	<b>\$ 1,451,943</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,960	\$ 3,996
Accrued expenses	58,043	113,175
Deferred revenue	100,154	87,438
Liabilities of discontinued operations	55,893	
Total current liabilities	218,050	204,609
1.75% convertible subordinated notes due 2023	350,000	350,000
31/8% convertible notes due 2025	300,000	300,000
Other long-term liabilities	32,357	24,179

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Minority interest in WHC	111,876	101,860
Convertible redeemable exchangeable preferred stock, \$0.0001 par value; 10,000 shares authorized; no shares issued and outstanding at June 30, 2007; 10,000 shares issued and outstanding at December 31, 2006		98,768
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 4,990,000 shares authorized; no shares issued		
Common stock, \$0.0001 par value; 900,000,000 shares authorized; 457,384,368 shares issued at June 30, 2007; 449,600,747 shares issued at December 31, 2006	46	45
Additional paid-in capital	12,442,859	12,290,126
Treasury stock, at cost; 277,737,447 shares at June 30, 2007; 287,770,823 shares at December 31, 2006	(2,568,966)	(2,585,769)
Accumulated deficit	(9,380,388)	(9,341,985)
Accumulated other comprehensive income	14,970	10,110
Total stockholders' equity	508,521	372,527
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,520,804</b>	<b>\$ 1,451,943</b>

See accompanying notes.

**Table of Contents****HLTH CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data, unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2007</b>	<b>2006 (Restated)</b>	<b>2007</b>	<b>2006 (Restated)</b>
Revenue:				
Services	\$ 102,129	\$ 265,606	\$ 200,072	\$ 518,351
Products	27,165	26,025	51,247	50,474
Total revenue	129,294	291,631	251,319	568,825
Cost of operations:				
Services	44,129	157,625	88,643	313,984
Products	10,772	11,416	20,687	22,231
Total cost of operations	54,901	169,041	109,330	336,215
Development and engineering	4,767	9,057	9,341	17,921
Sales, marketing, general and administrative	58,340	72,033	118,739	142,213
Depreciation and amortization	11,678	17,221	22,405	33,775
Interest income	10,100	4,433	19,774	8,851
Interest expense	4,619	4,668	9,336	9,359
Other income (expense), net	1,396	(2,347)	4,278	(2,889)
Income from continuing operations before income tax provision	6,485	21,697	6,220	35,304
Income tax provision	2,031	6,288	3,021	10,344
Minority interest in WHC income (loss)	843	(121)	958	(593)
Equity in earnings of EBS Master LLC	7,575		14,674	
Income from continuing operations	11,186	15,530	16,915	25,553
(Loss) income from discontinued operations, net of tax	(56,649)	6,556	(56,676)	12,123
Net (loss) income	\$ (45,463)	\$ 22,086	\$ (39,761)	\$ 37,676
Basic (loss) income per common share:				
Income from continuing operations	\$ 0.06	\$ 0.05	\$ 0.10	\$ 0.09
(Loss) income from discontinued operations	(0.31)	0.03	(0.32)	0.04
Net (loss) income	\$ (0.25)	\$ 0.08	\$ (0.22)	\$ 0.13
Diluted (loss) income per common share:				
Income from continuing operations	\$ 0.06	\$ 0.05	\$ 0.09	\$ 0.09
(Loss) income from discontinued operations	(0.30)	0.02	(0.30)	0.04

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Net (loss) income	\$ (0.24)	\$ 0.07	\$ (0.21)	\$ 0.13
Weighted-average shares outstanding used in computing (loss) income per common share:				
Basic	180,219	285,086	178,115	286,141
Diluted	191,032	296,722	188,693	296,107

See accompanying notes.

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**HLTH CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands, unaudited)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2007</b>	<b>2006</b>
		<b>(Restated)</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (39,761)	\$ 37,676
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Loss (income) from discontinued operations, net of tax	56,676	(12,123)
Depreciation and amortization	22,405	33,775
Minority interest in WHC income (loss)	958	(593)
Equity in earnings of EBS Master LLC	(14,674)	
Amortization of debt issuance costs	1,447	1,461
Non-cash advertising	2,320	2,794
Non-cash stock-based compensation	18,146	24,009
Deferred income taxes	1,052	1,736
EBS working capital adjustment	(399)	
Reversal of income tax valuation allowance applied to goodwill	760	4,043
Changes in operating assets and liabilities:		
Accounts receivable	4,922	(5,233)
Inventory	272	(138)
Prepaid expenses and other, net	(514)	(3,700)
Accounts payable	(36)	3,980
Accrued expenses and other long-term liabilities	(45,430)	3,572
Deferred revenue	12,716	8,137
Net cash provided by continuing operations	20,860	99,396
Net cash (used in) provided by discontinued operations	(1,880)	15,825
Net cash provided by operating activities	18,980	115,221
<b>Cash flows from investing activities:</b>		
Proceeds from maturities and sales of available-for-sale securities	194,096	398,870
Purchases of available-for-sale securities	(388,942)	(426,470)
Purchases of property and equipment	(12,558)	(27,429)
Cash paid in business combinations, net of cash acquired		(84,846)
Proceeds from the sale of EBS	2,898	
Proceeds from advances to EBS Master LLC	19,730	