TRIAD HOSPITALS INC Form 10-Q August 08, 2006

# **UNITED STATES**

SECURITIES AND F	EXCHANGE COMMISSION
WASHI	NGTON, D.C. 20549
FC	ORM 10-Q
x QUARTERLY REPORT PURSUANT TO S ACT OF 1934 For the quarterly period ended June 30, 2006	SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
	OR
ACT OF 1934 For the transition period from to	SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ion file number 0-29816
Triad I	Hospitals, Inc.
(Exact name of re	gistrant as specified in its charter)
Delaware (State or other jurisdiction of	75-2816101 (I.R.S. Employer
incorporation or organization)	Identification No.)
5800 Tennyson Parkway	75024

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Plano, Texas (Address of principal executive offices)

(Zip Code)

(214) 473-7000

(Registrant s telephone number, including area code)

#### Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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, and (2) has been subject to such filing requirements for the past 90 days. YES x 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 x 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 x

Indicate the number of shares outstanding of each of the issuer s classes of common stock of the latest practical date.

As of July 31, 2006, the number of shares of common stock of Triad Hospitals, Inc. outstanding was 87,871,914.

#### **Part I: Financial Information**

#### **Item 1: Financial Statements**

# TRIAD HOSPITALS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

## For the periods ended June 30, 2006 and 2005

#### Unaudited

## (Dollars in millions, except per share amounts)

	For the three		For the six					
	months ended 2006 2005			months ended 2006 2005				
Revenues	\$ 1	,378.1	\$ 1	1,167.3	\$ 2	2,747.3	\$ 2	2,320.4
Salaries and benefits, including stock compensation expense of \$6.9 and \$13.7 for the three								
and six months ended June 30, 2006, respectively		553.9		482.9	]	1,111.4		942.2
Reimbursable expenses		12.3		13.0		26.0		26.6
Supplies		234.5		196.0		471.7		386.1
Other operating expenses		272.3		216.1		525.4		424.8
Provision for doubtful accounts		128.2		90.2		248.9		195.9
Depreciation		55.5		52.0		108.8		99.1
Amortization		2.1		1.5		3.6		3.0
Interest expense		28.9		27.7		57.6		55.1
Interest income		(5.2)		(0.7)		(10.2)		(1.6)
Refinancing transaction costs				8.4				8.4
ESOP expense		3.1		3.9		6.1		7.2
Gain on sales of assets		(0.5)		(0.8)		(0.6)		(0.5)
Total operating expenses	1	,285.1	1	1,090.2	2	2,548.7	2	2,146.3
Income from continuing operations before minority interests, equity in earnings and income								
tax provision		93.0		77.1		198.6		174.1
Minority interests in earnings of consolidated entities		(5.2)		(2.7)		(10.0)		(6.3)
Equity in earnings of unconsolidated affiliates		9.8		9.6		19.8		19.7
		a= -		0.4.0		• • • •		
Income from continuing operations before income tax provision		97.6		84.0		208.4		187.5
Income tax provision		(37.6)		(32.8)		(80.5)		(72.4)
Income from continuing operations		60.0		51.2		127.9		115.1
Income from discontinued operations, net of tax		0.1		7.7		15.3		10.0
income from discontinued operations, net of tax		0.1		7.7		13.3		10.0
Net income	\$	60.1	\$	58.9	\$	143.2	\$	125.1
Income per common share:								
Basic:								
Continuing operations	\$	0.70	\$	0.64	\$	1.49	\$	1.46
Discontinued operations	\$		\$	0.10	\$	0.18	\$	0.13
Net	\$	0.70	\$	0.74	\$	1.67	\$	1.59

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Diluted:				
Continuing operations	\$ 0.69	\$ 0.62	\$ 1.48	\$ 1.43
Discontinued operations	\$	\$ 0.10	\$ 0.17	\$ 0.12
Net	\$ 0.69	\$ 0.72	\$ 1.65	\$ 1.55

See notes to the condensed consolidated financial statements.

# TRIAD HOSPITALS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

## Unaudited

# (Dollars in millions)

Accounts receivable, less allowances for doubtful accounts of \$338.4 at June 30, 2006 and \$292.8 at 1 doubter 11, 2005		June 30, 2006	Decembe 2005	
Cash and cash equivalents         \$ 276.0         \$           Accounts receivable, less allowances for doubtful accounts of \$338.4 at June 30, 2006 and \$292.8 at Discontinued operations         \$88.1           Inventories         140.0         140.0           Deferred income taxes         33.4         140.0           Deferred income taxes         39.1         1           Discontinued operations assets         106.3         1           Other         106.3         1           Property and equipment, at cost:         1         198.1           Land         198.1         1           Buildings and improvements         1,908.2         1           Equipment         1,509.2         1           Construction in progress         188.6         1           Accumulated depreciation         (1,115.5)         (1           Accumulated depreciation         (1,115.5)         (1           Intaggible assets, net of accumulated amortization         7.2         1           Intaggible assets, net of accumulated amortization         7.2         1           Intaggible assets, net of accumulated affiliates         255.4         2           Other         107.2         1         1           Total assets         5,997.5	ASSETS			
Accounts receivable, less allowances for doubtful accounts of \$338.4 at June 30, 2006 and \$292.8 at 1000     December 31, 2005   140.0     Deferred income taxes   33.4     Prepaid expenses   39.1     Discontinued operations assets     Other				
December 31, 2005   888.1   140.0		\$ 276.0	\$ 3	10.2
Inventories         140.0           Deferred income taxes         33.4           Prepaid expenses         39.1           Discontinued operations assets         106.3           Other         106.3           Property and equipment, at cost:           Usual End of End				
Deferred income taxes         33.4           Prepaid expenses         39.1           Discontinued operations assets         106.3           Other         106.3           Property and equipment, at cost:         ****           Land         198.1           Buildings and improvements         1,986.2         1,286.2           Equipment         1,590.2         1,286.2           Construction in progress         188.6           Accumulated depreciation         (1,115.5)         (1,482.2)           Accumulated depreciation         (1,115.5)         (1,482.2)           Goodwill         1,330.0         1,74.2           Intragible assets, net of accumulated amortization         72.4         1,74.2           Investment in and advances to unconsolidated affiliates         235.4         2,769.6         2,769.6           Other         107.2         107.2         107.2         107.2           Total assets         \$ 5,997.5         \$ 5,897.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5         \$ 5,997.5				00.2
Prepaid expenses         39.1           Discontinued operations assets         106.3           Other         106.3           1,482.9         1.0           Property and equipment, at cost:         198.1           Land         198.1           Buildings and improvements         1,908.2         1.           Equipment         1,590.2         1.           Construction in progress         3,885.1         3.           Accumulated depreciation         (1,115.5)         (1           Accumulated depreciation         1,330.0         1.           Intangible assets, net of accumulated amortization         7.4         1           Investment in and advances to unconsolidated affiliates         235.4         1           Other         107.2         1           Total assets         \$ 5,997.5         \$ 5.           LIABILITIES AND EQUITY         107.2           Current liabilities         206.8         \$           Accounts payable         \$ 206.8         \$           Accounts payable         \$ 206.8         \$           Account income taxes payable         7.         1           Current princome taxes payable         7.         1           Other current liabilities<				30.0
Discontinued operations assets				31.8
Other         106.3           1,482.9         1.           Property and equipment, at cost:         198.1           Buildings and improvements         1,908.2         1.           Equipment         1,590.2         1.           Construction in progress         188.6		39.1		41.1
Property and equipment, at cost:				67.6
Property and equipment, at cost:   Land	Other	106.3		93.0
Property and equipment, at cost:   Land				
Land         198.1           Buildings and improvements         1,908.2         1.           Equipment         1,590.2         1.           Construction in progress         188.6           Accumulated depreciation         (1,115.5)         (1,           Accumulated depreciation         (1,115.5)         (1,           Goodwill         1,330.0         1.           Intangible assets, net of accumulated amortization         72.4         1.           Interestment in and advances to unconsolidated affiliates         235.4         Other           Other         107.2         1.           Total assets         \$ 5,997.5         \$ 5.           LIABILITIES AND EQUITY         \$ 206.8         \$ 4.           Current liabilities:         \$ 206.8         <		1,482.9	1,4	73.9
Buildings and improvements         1,908.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         1.590.2         2.769.6         2.76	Property and equipment, at cost:			
Equipment         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         1,590.2         2,69.6         2,20.3         3,885.1         3,885.1         3,385.1         3,385.1         3,30.0         1,590.2         2,769.6         2,20.2         2,769.6         2,20.2         2,769.6         2,20.2         1,590.2         1,				82.3
Construction in progress         188.6           3,885.1         3,           Accumulated depreciation         (1,115.5)         (1,           Goodwill         1,330.0         1,           Intangible assets, net of accumulated amortization         72.4         1           Investment in and advances to unconsolidated affiliates         235.4         107.2           Other         107.2         5           LIABILITIES AND EQUITY           Current liabilities:         206.8         \$           Accounts payable         \$ 206.8         \$           Accrued salaries         131.3         Current portion of long-term debt         13.8         Current income taxes payable         7.1         Discontinued operations liabilities           Other current liabilities         183.4         542.4         542.4			1,7	39.3
Accumulated depreciation		1,590.2	1,4	49.1
Accumulated depreciation         (1,115.5)<	Construction in progress	188.6	2	26.3
Coodwill   1,330.0   1, 1,330		3,885.1	3,5	97.0
Coodwill   1,330.0   1, 1,330	Accumulated depreciation	(1 115 5)	(1.0	12.8)
Coodwill	recumulated depreciation	(1,113.3)	(1,0	12.0)
Intangible assets, net of accumulated amortization 72.4 Investment in and advances to unconsolidated affiliates 235.4 Other 107.2  Total assets \$5,997.5 \$5.  LIABILITIES AND EQUITY  Current liabilities: Accounts payable \$206.8 \$ Accrued salaries 131.3 Current portion of long-term debt 13.8 Current income taxes payable 7.1 Discontinued operations liabilities Other current liabilities 183.4		2,769.6	2,5	84.2
Investment in and advances to unconsolidated affiliates Other  Total assets  \$ 5,997.5 \$ 5,	Goodwill	1,330.0	1,3	01.6
Other 107.2  Total assets \$5,997.5 \$5.  LIABILITIES AND EQUITY  Current liabilities:  Accounts payable \$206.8 \$ Accrued salaries \$131.3  Current portion of long-term debt \$13.8  Current income taxes payable 7.1  Discontinued operations liabilities  Other current liabilities \$183.4	Intangible assets, net of accumulated amortization	72.4		71.7
Total assets \$ 5,997.5 \$ 5.  LIABILITIES AND EQUITY  Current liabilities:  Accounts payable \$ 206.8 \$ Accrued salaries 131.3  Current portion of long-term debt 13.8  Current income taxes payable 7.1  Discontinued operations liabilities  Other current liabilities 183.4	Investment in and advances to unconsolidated affiliates	235.4	2	04.8
Current liabilities: Accounts payable \$ 206.8 \$ Accrued salaries 131.3 Current portion of long-term debt 13.8 Current income taxes payable 7.1 Discontinued operations liabilities Other current liabilities 183.4	Other	107.2	1	00.7
Current liabilities: Accounts payable \$206.8 \$ Accrued salaries 131.3 Current portion of long-term debt 13.8 Current income taxes payable 7.1 Discontinued operations liabilities Other current liabilities 183.4	Total assets	\$ 5,997.5	\$ 5,7	36.9
Current liabilities: Accounts payable \$206.8 \$ Accrued salaries 131.3 Current portion of long-term debt 13.8 Current income taxes payable 7.1 Discontinued operations liabilities Other current liabilities 183.4	LIABILITIES AND EQUITY			
Accrued salaries  Current portion of long-term debt  Current income taxes payable  Tolscontinued operations liabilities  Other current liabilities  131.3  7.1  Discontinued operations liabilities  183.4				
Current portion of long-term debt Current income taxes payable 7.1 Discontinued operations liabilities Other current liabilities 183.4		\$ 206.8	\$ 1	97.5
Current income taxes payable 7.1  Discontinued operations liabilities  Other current liabilities 183.4		131.3	1	26.8
Discontinued operations liabilities  Other current liabilities  183.4  542.4		13.8		7.7
Other current liabilities 183.4 542.4	Current income taxes payable	7.1		17.1
542.4	Discontinued operations liabilities			3.1
	Other current liabilities	183.4	1	63.1
		542.4	5	15.3
Long-term debt 1,693.7 1	Long-term debt	1,693.7	1,6	95.8
,				67.8
				01.9
				28.4
Stockholders equity:				

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Common stock \$0.01 par value: 120,000,000 shares authorized, 87,822,270 and 86,373,170 shares issued		
and outstanding at June 30, 2006 and December 31, 2005, respectively	0.9	0.9
Additional paid-in capital	2,374.8	2,331.6
Unearned ESOP compensation	(8.6)	(10.4)
Accumulated other comprehensive loss	(1.6)	(1.6)
Accumulated earnings	750.4	607.2
Total stockholders equity	3,115.9	2,927.7
Total liabilities and stockholders equity	\$ 5,997.5	\$ 5,736.9

See notes to the condensed consolidated financial statements.

## TRIAD HOSPITALS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

# For the periods ended June 30, 2006 and 2005

#### Unaudited

## (Dollars in millions)

#### For the six

	months ended 2006 2005		
Cash flows from operating activities:			
Net income	\$ 143.2	\$ 125.1	
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations, net of tax	(15.3)	(10.0)	
Provision for doubtful accounts	248.9	195.9	
Depreciation and amortization	112.4	102.1	
ESOP expense	6.1	7.2	
Minority interests	10.0	6.3	
Equity in earnings of unconsolidated affiliates	(19.8)	(19.7)	
Gain on sales of assets	(0.6)	(0.5)	
Deferred income tax provision (benefit)	(11.7)	4.9	
Non-cash interest expense	1.6	2.3	
Refinancing transaction costs		8.4	
Non-cash stock compensation expense	13.7	0.6	
Excess tax benefits on stock compensation	(1.2)		
Increase (decrease) in cash from operating assets and liabilities:			
Accounts receivable	(321.7)	(255.5)	
Inventories and other assets	(22.5)	25.6	
Accounts payable and other current liabilities	(31.9)	17.6	
Other	21.7	16.1	
Net cash provided by operating activities	132.9	226.4	
Cash flows from investing activities:			
Purchases of property and equipment	(233.4)	(188.6)	
Distributions and advances (to) from unconsolidated affiliates, net	(9.6)	12.8	
Proceeds received on disposals of assets	102.6	36.5	
Acquisitions, net of cash acquired	(49.2)	(155.3)	
Other	(0.1)		
Net cash used in investing activities	(189.7)	(294.6)	
Cash flows from financing activities:			
Payments of long-term debt	(1.0)	(483.8)	
Proceeds from issuance of long-term debt		520.0	
Payment of debt issue costs		(6.4)	
Proceeds from issuance of common stock	21.9	89.8	
Excess tax benefits on stock compensation	1.2		
Contributions from (distributions to) minority partners, net	0.5	(0.7	