

DAVITA INC  
Form 10-Q  
August 03, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

For the Quarterly Period Ended

June 30, 2012

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

Commission File Number: 1-14106

**DAVITA INC.**

1551 Wewatta Street

Denver, CO 80202

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Telephone number (303) 405-2100

Delaware  
(State of incorporation)

51-0354549  
(I.R.S. Employer Identification No.)

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 the 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  (Do not check if a smaller reporting company) 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

As of July 27, 2012, the number of shares of the Registrant's common stock outstanding was approximately 94.6 million shares and the aggregate market value of the common stock outstanding held by non-affiliates based upon the closing price of these shares on the New York Stock Exchange was approximately \$9.3 billion.

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Note: Items 3, 4 and 5 of Part II are omitted because they are not applicable.

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	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Dialysis patient service operating revenues	\$ 1,809,259	\$ 1,582,949	\$ 3,571,837	\$ 3,080,383
Less: Provision for uncollectible accounts related to patient service operating revenues	(54,416)	(47,410)	(107,424)	(88,481)
Net patient service operating revenues	1,754,843	1,535,539	3,464,413	2,991,902
Other revenues	174,897	125,694	331,962	231,644
<b>Total net operating revenues</b>	<b>1,929,740</b>	<b>1,661,233</b>	<b>3,796,375</b>	<b>3,223,546</b>
Operating expenses and charges:				
Patient care costs	1,312,247	1,163,136	2,575,406	2,277,222
General and administrative	214,621	163,793	422,010	315,395
Depreciation and amortization	77,807	64,245	153,782	126,083
Provision for uncollectible accounts	1,801	1,852	3,825	2,824
Equity investment income	(2,618)	(2,417)	(5,250)	(3,936)
Legal proceeding contingency accrual and related expenses	78,000		78,000	
Goodwill impairment charge		24,000		24,000
<b>Total operating expenses and charges</b>	<b>1,681,858</b>	<b>1,414,609</b>	<b>3,227,773</b>	<b>2,741,588</b>
Operating income	247,882	246,624	568,602	481,958
Debt expense	(60,709)	(59,897)	(122,090)	(118,492)
Other income	840	556	1,879	1,397
Income from continuing operations before income taxes	188,013	187,283	448,391	364,863
Income tax expense	68,009	66,871	163,504	129,830
Income from continuing operations	120,004	120,412	284,887	235,033
Discontinued operations:				
Income from operations of discontinued operations, net of tax		253		384
Net income.	120,004	120,665	284,887	235,417
Less: Net income attributable to noncontrolling interests	(24,667)	(20,650)	(49,430)	(40,900)
<b>Net income attributable to DaVita Inc.</b>	<b>\$ 95,337</b>	<b>\$ 100,015</b>	<b>\$ 235,457</b>	<b>\$ 194,517</b>
<b>Earnings per share:</b>				
Basic income from continuing operations per share attributable to DaVita Inc.	\$ 1.01	\$ 1.05	\$ 2.51	\$ 2.03
Basic net income per share attributable to DaVita Inc.	\$ 1.01	\$ 1.05	\$ 2.51	\$ 2.03

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Diluted income from continuing operations per share attributable to DaVita Inc.	\$ 0.99	\$ 1.02	\$ 2.46	\$ 1.98
Diluted net income per share attributable to DaVita Inc.	\$ 0.99	\$ 1.03	\$ 2.46	\$ 1.99
<b>Weighted average shares for earnings per share:</b>				
Basic	94,171,583	95,488,449	93,970,295	95,872,466
Diluted	96,002,190	97,657,578	95,865,605	98,014,315
<b>Amounts attributable to DaVita Inc.:</b>				
Income from continuing operations	\$ 95,337	\$ 99,762	\$ 235,457	\$ 194,133
Discontinued operations		253		384
Net income	\$ 95,337	\$ 100,015	\$ 235,457	\$ 194,517

See notes to condensed consolidated financial statements.

**Table of Contents****DAVITA INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(unaudited)****(dollars in thousands, except per share data)**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income	\$ 120,004	\$ 120,665	\$ 284,887	\$ 235,417
Other comprehensive (loss) income, net of tax:				
Unrealized losses on interest rate swap and cap agreements:				
Unrealized losses on interest rate swap and cap agreements	(2,102)	(12,837)	(4,363)	(16,971)
Less: Reclassifications of net swap and cap agreements realized losses into net income	2,536	2,680	5,056	4,423
Unrealized (loss) gains on investments:				
Unrealized (loss) gains on investments	(204)	47	942	315
Less: Reclassification of net investment realized gains into net income			(75)	(57)
Foreign currency translation adjustments	(839)		(1,458)	
Other comprehensive (loss) income	(609)	(10,110)	102	(12,290)
Total comprehensive income	119,395	110,555	284,989	223,127
Less: Comprehensive income attributable to the noncontrolling interests	(24,667)	(20,650)	(49,430)	(40,900)
Comprehensive income attributable to DaVita Inc.	\$ 94,728	\$ 89,905	\$ 235,559	\$ 182,227

See notes to condensed consolidated financial statements.

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**DAVITA INC.**

**CONSOLIDATED BALANCE SHEETS**

**(unaudited)**

**(dollars in thousands, except per share data)**

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 273,445	\$ 393,752
Short-term investments	8,629	17,399
Accounts receivable, less allowance of \$253,199 and \$250,343	1,249,995	1,195,163
Inventories	77,684	75,731
Other receivables	211,487	269,832
Other current assets		