

CROSS COUNTRY HEALTHCARE INC
Form 10-Q
November 08, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 September 30, 2012

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From _____ to _____

CROSS COUNTRY HEALTHCARE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

0-33169
Commission
file number

13-4066229
(I.R.S. Employer
Identification Number)

6551 Park of Commerce Blvd, N.W.
Boca Raton, Florida 33487
(Address of principal executive offices)(Zip Code)

(561) 998-2232
(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 Sections 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 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 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, 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 (Do not check if a smaller reporting company) Smaller Reporting Company

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

The registrant had outstanding 30,902,314 shares of Common Stock, par value \$0.0001 per share, as of October 31, 2012.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

In addition to historical information, this Form 10-Q contains statements relating to our future results (including certain projections and business trends) that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the “safe harbor” created by those sections. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “suggests”, “seeks”, “will” and variations of such words and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: our ability to attract and retain qualified nurses, physicians and other healthcare personnel, costs and availability of short-term housing for our travel healthcare professionals, demand for the healthcare services we provide, both nationally and in the regions in which we operate, the functioning of our information systems, the effect of existing or future government regulation and federal and state legislative and enforcement initiatives on our business, our clients’ ability to pay us for our services, our ability to successfully implement our acquisition and development strategies, the effect of liabilities and other claims asserted against us, the effect of competition in the markets we serve, our ability to successfully defend the Company, its subsidiaries, and its officers and directors on the merits of any lawsuit or determine its potential liability, if any, and other factors set forth in Item 1.A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, as filed and updated in our Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission.

Although we believe that these statements are based upon reasonable assumptions, we cannot guarantee future results and readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s opinions only as of the date of this filing. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors’ likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. The Company undertakes no obligation to update or revise forward-looking statements.

All references to “we”, “us”, “our”, or “Cross Country” in this Quarterly Report on Form 10-Q mean Cross Country Healthcare, Inc., its subsidiaries and affiliates.

CROSS COUNTRY HEALTHCARE, INC.

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SEPTEMBER 30, 2012

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PART I. – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Cross Country Healthcare, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, amounts in thousands)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$4,832	\$10,648
Short-term cash investments	2,693	1,691
Accounts receivable, less allowance for doubtful accounts of \$2,005 in 2012 and \$2,180 in 2011	76,186	71,802
Deferred tax assets	11,952	10,401
Income taxes receivable	1,841	2,123
Prepaid expenses	6,876	7,441
Debt issuance costs, net – current	1,604	-
Other current assets	731	701
Total current assets	106,715	104,807
Property and equipment, net of accumulated depreciation of \$45,327 in 2012 and \$41,657 in 2011	9,399	12,018
Trademarks, net	50,680	52,053
Goodwill, net	102,788	143,344
Other identifiable intangible assets, net	18,792	21,195
Debt issuance costs, net	-	1,199
Non-current deferred tax assets	12,500	-
Other long-term assets	464	1,294
Total assets	\$301,338	\$335,910
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$10,381	\$9,018
Accrued employee compensation and benefits	17,839	16,332
Current portion of long-term debt	34,275	16,998
Other current liabilities	5,864	4,002
Total current liabilities	68,359	46,350
Long-term debt	231	25,048
Non-current deferred tax liabilities	-	58
Other long-term liabilities	14,560	15,154
Total liabilities	83,150	86,610
Commitments and contingencies		
Stockholders' equity:		
Common stock	3	3
Additional paid-in capital	244,277	243,170

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Accumulated other comprehensive loss	(2,904)	(3,373)
(Accumulated deficit) retained earnings	(23,188)	9,500	
Total stockholders' equity	218,188		249,300	
Total liabilities and stockholders' equity	\$301,338		\$335,910	

See accompanying notes to the condensed consolidated financial statements

Cross Country Healthcare, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue from services	\$129,123	\$131,169	\$382,067	\$379,257
Operating expenses:				
Direct operating expenses	97,352	95,426	284,825	275,929
Selling, general and administrative expenses	29,586	29,061	91,448	87,407
Bad debt expense	256	146	648	235
Depreciation	1,220	1,548	4,372	5,193
Amortization	803	833	2,440	2,675
Impairment charges	23,500	-	42,232	-
Total operating expenses	152,717	127,014	425,965	371,439
(Loss) income from operations	(23,594)	4,155	(43,898)	7,818
Other expenses (income):				
Foreign exchange loss (gain)	114	(148)	32	(125)
Interest expense	424	730	1,634	2,180
Debt financing costs	273	-	273	-
Loss on modification of debt	82	-	82	-
Other (income) expense, net	(90)	(67)	79	(228)
(Loss) income before income taxes	(24,397)	3,640	(45,998)	5,991
Income tax (benefit) expense	(6,797)	1,854	(13,310)	2,425
Net (loss) income	\$(17,600)	\$1,786	\$(32,688)	\$3,566
Net (loss) income per common share:				
Basic	\$(0.57)	\$0.06	\$(1.06)	\$0.11
Diluted	\$(0.57)	\$0.06	\$(1.06)	\$0.11
Weighted average common shares outstanding:				
Basic	30,902	31,225	30,823	31,159
Diluted	30,902	31,242	30,823	31,217

See accompanying notes to the condensed consolidated financial statements

Cross Country Healthcare, Inc.
Consolidated Statements of Comprehensive (Loss) Income
(Unaudited, amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net (loss) income	\$(17,600	) \$1,786	\$(32,688	) \$3,566
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	698	(735	) 446	(363
Write-down of marketable securities	-	-	39	-
Net change in fair value of marketable securities	-	(2	) (1	) (54
Other comprehensive income (loss), before tax	698	(737	) 484	(417
Income tax (benefit) expense related to items of other comprehensive income (loss)	-	(1	) 15	(22
Other comprehensive income (loss), net of tax	698	(736	) 469	(395
Comprehensive (loss) income	\$(16,902	) \$1,050	\$(32,219	) \$3,171

See accompanying notes to the condensed consolidated financial statements

Cross Country Healthcare, Inc.
 Condensed Consolidated Statements of Cash Flows
 (Unaudited, amounts in thousands)

	Nine Months Ended September 30,	
	2012	2011
Operating activities		
Net (loss) income	\$(32,688	) \$3,566
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	4,372	5,193
Amortization	2,440	2,675
Impairment charges		