

CROSS COUNTRY HEALTHCARE INC

Form 10-Q

November 03, 2017

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, 2017

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

0-33169 13-4066229

(State or other jurisdiction of Commission (I.R.S. Employer
Incorporation or organization) file number Identification Number)

5201 Congress Avenue, Suite 100B

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
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 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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The registrant had outstanding 36,480,911 shares of Common Stock, par value \$0.0001 per share, as of October 31, 2017.

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. Forward-looking statements consist of statements that are predictive in nature, depend upon or refer to future events. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “suggests”, “appears”, “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 cyber security risks and cyber incidents on our business, 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, including our ability to successfully integrate acquired businesses and realize synergies from such acquisitions, 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, 2016, 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 “the Company”, “we”, “us”, “our”, or “Cross Country” in this Quarterly Report on Form 10-Q mean Cross Country Healthcare, Inc., and its consolidated subsidiaries.

CROSS COUNTRY HEALTHCARE, INC.

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September 30, 2017

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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, 2017 | December 31, 2016 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 10,765 | \$ 20,630 |
| Accounts receivable, net of allowances of \$3,616 in 2017 and \$3,245 in 2016 | 181,608 | 173,620 |
| Prepaid expenses | 5,142 | 6,126 |
| Insurance recovery receivable | 2,813 | 3,037 |
| Other current assets | 1,654 | 2,198 |
| Total current assets | 201,982 | 205,611 |
| Property and equipment, net of accumulated depreciation of \$46,386 in 2017 and \$43,141 in 2016 | 14,075 | 12,818 |
| Goodwill | 123,244 | 79,648 |
| Trade names | 35,402 | 35,402 |
| Other intangible assets, net | 62,763 | 36,835 |
| Other non-current assets | 19,190 | 18,064 |
| Total assets | \$ 456,656 | \$ 388,378 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 55,034 | \$ 58,837 |
| Accrued compensation and benefits | 32,039 | 33,243 |
| Other current liabilities | 7,146 | 5,012 |
| Total current liabilities | 94,219 | 97,092 |
| Long-term debt and capital lease obligations, less current portion | 95,331 | 84,760 |
| Non-current deferred tax liabilities | 14,763 | 13,154 |
| Long-term accrued claims | 30,695 | 28,870 |
| Contingent consideration | 4,618 | 5,301 |
| Other long-term liabilities | 7,682 | 7,399 |
| Total liabilities | 247,308 | 236,576 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock | 4 | 3 |
| Additional paid-in capital | 304,957 | 256,570 |
| Accumulated other comprehensive loss | (1,198 |) (1,241 |
| Accumulated deficit | (95,061 |) (104,089 |
| Total Cross Country Healthcare, Inc. stockholders' equity | 208,702 | 151,243 |
| Noncontrolling interest in subsidiary | 646 | 559 |
| Total stockholders' equity | 209,348 | 151,802 |
| Total liabilities and stockholders' equity | \$ 456,656 | \$ 388,378 |

See accompanying notes to the condensed consolidated financial statements

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CROSS COUNTRY HEALTHCARE, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, amounts in thousands, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| Revenue from services | \$228,488 | \$214,988 | \$645,374 | \$611,014 |
| Operating expenses: | | | | |
| Direct operating expenses | 168,008 | 156,778 | 475,091 | 446,912 |
| Selling, general and administrative expenses | 47,346 | 45,922 | 141,182 | 133,530 |
| Bad debt expense | 433 | 19 | 1,082 | 496 |
| Depreciation and amortization | 2,849 | 2,092 | 7,325 | 6,969 |
| Acquisition-related contingent consideration | (605 |) 237 | (54 |) 707 |
| Acquisition and integration costs | 1,366 | — | 1,953 | — |
| Restructuring costs | 724 | | | |