

Emergency Medical Services CORP
Form 10-Q
August 15, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2011

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:

001-32701

EMERGENCY MEDICAL SERVICES CORPORATION

(Exact name of Registrants as Specified in their Charters)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3738384

(IRS Employer
Identification Number)

6200 S. Syracuse Way, Suite 200

Greenwood Village, CO

(Address of principal executive offices)

80111

(Zip Code)

Registrants telephone number, including area code: **303-495-1200**

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

Not applicable

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 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

Smaller reporting company

(Do not check if a smaller reporting company)

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

The registrant is a privately held corporation, and its common stock is not publicly traded. Shares of common stock outstanding at August 10, 2011 1,000. All of our outstanding stock was held at such date by CDRT Acquisition Corporation, our sole stockholder.

The registrant is not required to file this Quarterly Report on Form 10-Q with the Securities and Exchange Commission and is doing so on a voluntary basis.

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Table of Contents**EMERGENCY MEDICAL SERVICES CORPORATION****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****EMERGENCY MEDICAL SERVICES CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

(unaudited; in thousands)

	Successor Period from May 25 through June 30, 2011	Predecessor Period from April 1 through May 24, 2011	Quarter ended June 30, 2010
Net revenue	\$ 319,543	\$ 460,955	\$ 708,804
Compensation and benefits	221,804	337,556	496,443
Operating expenses	41,856	59,777	90,586
Insurance expense	10,089	20,690	25,942
Selling, general and administrative expenses	6,861	11,406	18,298
Depreciation and amortization expense	11,061	10,942	15,692
Income from operations	27,872	20,584	61,843
Interest income from restricted assets	162	728	859
Interest expense	(17,950)	(3,069)	(5,060)
Realized gain (loss) on investments	7	(5)	57
Interest and other (expense) income	(140)	(27,127)	206
Loss on early debt extinguishment		(10,069)	(19,091)
Income (loss) before income taxes and equity in earnings of unconsolidated subsidiary	9,951	(18,958)	38,814
Income tax (expense) benefit	(4,158)	3,410	(14,955)
Income (loss) before equity in earnings of unconsolidated subsidiary	5,793	(15,548)	23,859
Equity in earnings of unconsolidated subsidiary	33	52	105
Net income (loss)	5,826	(15,496)	23,964
Other comprehensive (loss) income, net of tax:			
Unrealized holding (losses) gains during the period	(140)	872	1,101
Unrealized losses on derivative financial instruments	(253)	(959)	(563)
Comprehensive income (loss)	\$ 5,433	\$ (15,583)	\$ 24,502

The accompanying notes are an integral part of these financial statements.

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	Successor Period from May 25 through June 30, 2011	Predecessor Period from January 1 through May 24, 2011	Six months ended June 30, 2010
Net revenue	\$ 319,543	\$ 1,221,790	\$ 1,388,158
Compensation and benefits	221,804	874,633	976,760
Operating expenses	41,856	156,740	177,115
Insurance expense	10,089	47,229	48,012
Selling, general and administrative expenses	6,861	29,241	35,156
Depreciation and amortization expense	11,061	28,467	31,872
Income from operations	27,872	85,480	119,243
Interest income from restricted assets	162	1,124	1,714
Interest expense	(17,950)	(7,886)	(13,326)
Realized gain (loss) on investments	7	(9)	149
Interest and other (expense) income	(140)	(28,873)	471
Loss on early debt extinguishment		(10,069)	(19,091)
Income before income taxes and equity in earnings of unconsolidated subsidiary	9,951	39,767	89,160
Income tax expense	(4,158)	(19,242)	(34,365)
Income before equity in earnings of unconsolidated subsidiary	5,793	20,525	54,795
Equity in earnings of unconsolidated subsidiary	33	143	199
Net income	5,826	20,668	54,994
Other comprehensive (loss) income, net of tax:			
Unrealized holding (losses) gains during the period	(140)	1,501	1,543
Unrealized losses on derivative financial instruments	(253)	25	(85)
Comprehensive income	\$ 5,433	\$ 22,194	\$ 56,452

The accompanying notes are an integral part of these financial statements.

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(in thousands, except share and per share data)

	Successor June 30, 2011 (Unaudited)	Predecessor December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 186,811	\$ 287,361
Insurance collateral	36,649	33,476
Trade and other accounts receivable, net	510,279	489,658
Parts and supplies inventory	23,349	23,031
Prepays and other current assets	26,305	18,617
Total current assets	783,393	852,143
Non-current assets:		
Property, plant and equipment, net	135,479	133,731
Intangible assets, net	758,031	180,374
Insurance collateral	116,952	136,063
Goodwill	2,163,961	427,405
Other long-term assets	114,980	18,836
Total assets	\$ 4,072,796	\$ 1,748,552
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 39,767	\$ 39,581
Accrued liabilities	336,028	259,638
Current deferred tax liabilities	7,345	5,114
Current portion of long-term debt	15,065	16,333
Total current liabilities	398,205	320,666
Long-term debt	2,364,270	404,943
Long-term deferred tax liabilities	238,286	5,971
Insurance reserves and other long-term liabilities	180,734	169,767
Total liabilities	3,181,495	901,347
Equity:		
Preferred stock (\$0.01 par value; 20,000,000 shares authorized in 2010, 0 issued and outstanding)		
Common stock (\$0.01 par value; 1,000 shares authorized, issued and outstanding in 2011)		
Class A common stock (\$0.01 par value; 100,000,000 shares authorized and 30,404,572 issued and outstanding in 2010)		304
Class B common stock (\$0.01 par value; 40,000,000 shares authorized in 2010, 65,052 issued and outstanding in 2010)		1
Class B special voting stock (\$0.01 par value; 1 share authorized, issued and outstanding in 2010)		
LP exchangeable units (13,724,676 shares issued and outstanding in 2010)		90,776
Treasury stock at cost (30,778 shares in 2010)		(1,684)
Additional paid-in capital	885,868	305,258
Retained earnings	5,826	450,766
Accumulated other comprehensive (loss) income	(393)	1,784
Total equity	891,301	847,205
Total liabilities and equity	\$ 4,072,796	\$ 1,748,552

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EMERGENCY MEDICAL SERVICES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited; in thousands)

	Successor Period from May 25 through June 30, 2011	Predecessor Period from April 1 through May 24, 2011	Quarter ended June 30, 2010
Cash Flows from Operating Activities			
Net income (loss)	\$ 5,826	\$ (15,496)	\$ 23,964
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	12,962	11,485	16,321
Loss on disposal of property, plant and equipment	12		45
Equity-based compensation expense	430	13,150	1,441
Excess tax benefits from stock-based compensation		(11,258)	(2,917)
Loss on early debt extinguishment		10,069	19,091
Equity in earnings of unconsolidated subsidiary	(33)	(52)	(105)
Deferred income taxes	48		973
Changes in operating assets/liabilities, net of acquisitions:			
Trade and other accounts receivable	7,102	613	(21,750)
Parts and supplies inventory	18	(35)	75
Prepays and other current assets	2,511	(3,828)	(8,828)
Accounts payable and accrued liabilities	1,708	(3,750)	7,093
Insurance accruals	7,137	(4,922)	4,754
Net cash provided by (used in) operating activities	37,721	(4,024)	40,157
Cash Flows from Investing Activities			
Merger, net of cash received	(2,844,221)		
Purchases of property, plant and equipment	(2,892)	(3,190)	(8,652)
Proceeds from sale of property, plant and equipment	55	45	66
Acquisition of businesses, net of cash received	(4,668)	(62,150)	(47,675)
Net change in insurance collateral	4,542	10,630	(7,627)
Other investing activities	(262)	342	10,648
Net cash used in investing activities	(2,847,446)	(54,323)	(53,240)
Cash Flows from Financing Activities			
EMSC issuance of class A common stock		8	1,791
Borrowings under senior secured credit facility	1,440,000		425,000
Proceeds from issuance of senior subordinated notes	950,000		
Proceeds from CD&R equity investment	887,051		
Repayments of capital lease obligations and other debt	(418,875)	(2,150)	(451,443)
Equity issuance costs	(26,196)		
Debt issue costs	(114,021)		(11,749)
Payment for debt extinguishment premiums			(14,513)
Excess tax benefits from stock-based compensation		11,258	2,917
Class A common stock repurchased as treasury stock		(1,137)	
Net change in bank overdrafts	(7,971)	2,144	(6,942)
Net cash provided by (used in) financing activities	2,709,988	10,123	(54,939)
Change in cash and cash equivalents	(99,737)	(48,224)	(68,022)
Cash and cash equivalents, beginning of period	286,548	334,772	381,055
Cash and cash equivalents, end of period	\$ 186,811	\$ 286,548	\$ 313,033

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The accompanying notes are an integral part of these financial statements.

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	Successor Period from May 25 through June 30, 2011	Predecessor Period from January 1 through May 24, 2011	Six months ended June 30, 2010
Cash Flows from Operating Activities			
Net income	\$ 5,826	\$ 20,668	\$ 54,994
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,962	29,800	33,008
Loss on disposal of property, plant and equipment	12	39	89
Equity-based compensation expense	430	15,112	2,545
Excess tax benefits from stock-based compensation		(12,427)	(13,498)
Loss on early debt extinguishment		10,069	19,091
Equity in earnings of unconsolidated subsidiary	(33)	(143)	(199)
Dividends received		427	403
Deferred income taxes	48	345	840
Changes in operating assets/liabilities, net of acquisitions:			
Trade and other accounts receivable	7,102	(10,149)	(19,559)
Parts and supplies inventory	18	(116)	(87)
Prepays and other current assets	2,511	(8,569)	(12,216)
Accounts payable and accrued liabilities	1,708	25,337	13,099
Insurance accruals	7,137	(2,418)	6,232
Net cash provided by operating activities	37,721	67,975	84,742
Cash Flows from Investing Activities			
Merger, net of cash received	(2,844,221)		
Purchases of property, plant and equipment	(2,892)	(18,496)	(15,168)
Proceeds from sale of property, plant and equipment	55	55	108
Acquisition of businesses, net of cash received	(4,668)	(94,870)	(50,975)
Net change in insurance collateral	4,542	23,036	(5,261)
Other investing activities	(262)	816	10,938
Net cash used in investing activities	(2,847,446)	(89,459)	(60,358)
Cash Flows from Financing Activities			
EMSC issuance of class A common stock		559	6,193
Borrowings under senior secured credit facility	1,440,000		425,000
Proceeds from issuance of senior subordinated notes	950,000		
Proceeds from CD&R equity investment	887,051		
Repayments of capital lease obligations and other debt	(418,875)	(4,116)	(452,627)
Equity issuance costs	(26,196)		
Debt issue costs	(114,021)		(11,749)
Payment for debt extinguishment premiums			(14,513)
Excess tax benefits from stock-based compensation		12,427	13,498
Class A common stock repurchased as treasury stock		(2,440)	
Net change in bank overdrafts	(7,971)	14,241	(10,041)
Net cash provided by (used in) financing activities	2,709,988	20,671	(44,239)
Change in cash and cash equivalents	(99,737)	(813)	(19,855)
Cash and cash equivalents, beginning of period	286,548	287,361	332,888
Cash and cash equivalents, end of period	\$ 186,811	\$ 286,548	\$ 313,033

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EMERGENCY MEDICAL SERVICES CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(unaudited; in thousands, except share data)

	Common Stock	Class A Common Stock	Class B Common Stock	Shares/Units Class B Special Voting Stock	LP Exchangeable Units	Treasury Stock
Predecessor						
Balances December 31, 2010		30,404,572	65,052	1	13,724,676	30,778
Exercise of options		24,879				
Restricted stock awarded		118,453				
Shares repurchased		(38,263)				38,263
Exchange of Class B common		65,007	(65,007)			
Balances May 24, 2011		30,574,648	45	1	13,724,676	69,041
Successor						
Investment by Parent	1,000					
Balances June 30, 2011	1,000					

	Common Stock	Class A Common Stock	Class B Common Stock	LP Exchangeable Units	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Predecessor									
Balances December 31, 2010	\$	\$ 304	\$ 1	\$ 90,776	\$ (1,684)	\$ 305,258	\$ 450,766	\$ 1,784	\$ 847,205
Exercise of options						559			559
Restricted stock awarded		1							1
Shares repurchased					(2,440)				(2,440)
Equity-based compensation						27,539			27,539
Exchange of Class B common stock		1	(1)						
Net income							20,668		20,668
Unrealized holding gains								1,501	1,501
Fair value of fuel hedge								25	25
Balances May 24, 2011	\$	\$ 306	\$	\$ 90,776	\$ (4,124)	\$ 333,356	\$ 471,434	\$ 3,310	\$ 895,058
Successor									
Investment by Parent, net of issuance costs of \$29,878	\$	\$	\$	\$	\$	\$ 857,173	\$	\$	\$ 857,173
Investment by management						28,265			28,265
Equity-based compensation						430			430
Net income							5,826		5,826
Unrealized holding losses								(140)	(140)
Fair value of fuel hedge								(253)	(253)
Balances June 30, 2011	\$	\$	\$	\$	\$	\$ 885,868	\$ 5,826	\$ (393)	\$ 891,301

The accompanying notes are an integral part of these financial statements.

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EMERGENCY MEDICAL SERVICES CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

1. General

Basis of Presentation of Financial Statements

The accompanying interim consolidated financial statements for Emergency Medical Services Corporation (EMSC or the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim reporting, and accordingly, do not include all of the disclosures required for annual financial statements. For further information, see the Company s consolidated financial statements, including the accounting policies and notes thereto, included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

On May 25, 2011, EMSC was acquired through a merger transaction (Merger) by investment funds (the CD&R Affiliates) sponsored by, or affiliated with, Clayton, Dubilier & Rice LLC (CD&R). As a result of the Merger, EMSC became a wholly-owned subsidiary of CDRT Acquisition Corporation and the Company s stock ceased to be traded on the New York Stock Exchange. In addition, Emergency Medical Services LP, a wholly-owned subsidiary of the Company, ceased to be a reporting entity with the Securities and Exchange Commission. Details of the Merger are more fully discussed in Note 2. The transaction was accounted for as a reverse acquisition with CDRT Acquisition Corporation. Although EMSC continued as the surviving corporation and same legal entity after the Merger, the accompanying consolidated results of operations and cash flows are presented for two periods: the period prior to the merger (Predecessor) and succeeding the Merger (Successor). The Company applied purchase accounting to the opening balance sheet and results of operations on May 25, 2011. The Merger resulted in a new basis of accounting beginning on May 25, 2011 and the financial reporting periods are presented as follows:

- The three month period ended June 30, 2011 includes the Predecessor period of the Company from April 1, 2011 through May 24, 2011 and the Successor period, reflecting the Merger of the Company and the affiliate of CD&R, from May 25,