

Acadia Healthcare Company, Inc.

Form 10-Q

July 29, 2016

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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, 2016**

**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: 001-35331**

**ACADIA HEALTHCARE COMPANY, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**  
**incorporation or organization)**  
**6100 Tower Circle, Suite 1000**  
**Franklin, Tennessee 37067**  
**(Address, including zip code, of registrant's principal executive offices)**  
**(615) 861-6000**  
**(Registrant's telephone number, including area code)**

**45-2492228**  
**(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 29, 2016, there were 87,416,820 shares of the registrant's common stock outstanding.

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**ACADIA HEALTHCARE COMPANY, INC.**

**QUARTERLY REPORT ON FORM 10-Q**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Acadia Healthcare Company, Inc.****Condensed Consolidated Balance Sheets****(Unaudited)**

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	<b>(In thousands, except share and per share amounts)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 30,716	\$ 11,215
Accounts receivable, net of allowance for doubtful accounts of \$36,246 and \$29,332, respectively	285,132	216,626
Other current assets	76,519	66,895
Total current assets	392,367	294,736
Property and equipment, net	3,274,540	1,709,053
Goodwill	2,832,201	2,128,215
Intangible assets, net	84,996	59,575
Deferred tax assets noncurrent	17,929	49,114
Derivative instruments	40,459	
Other assets	42,007	38,515
Total assets	\$ 6,684,499	\$ 4,279,208
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 73,410	\$ 45,360
Accounts payable	108,211	91,341
Accrued salaries and benefits	113,392	80,696
Other accrued liabilities	124,788	72,806
Total current liabilities	419,801	290,203
Long-term debt	3,578,383	2,195,384
Deferred tax liabilities noncurrent	85,526	23,936
Other liabilities	151,628	78,602
Total liabilities	4,235,338	2,588,125
Redeemable noncontrolling interests	12,881	8,055
Equity:		

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Preferred stock, \$0.01 par value; 10,000,000 shares authorized, no shares issued		
Common stock, \$0.01 par value; 180,000,000 and 90,000,000 shares authorized at June 30, 2016 and December 31, 2015, respectively; 86,571,040 and 70,745,746 issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	865	707
Additional paid-in capital	2,481,897	1,572,972
Accumulated other comprehensive loss	(342,611)	(104,647)
Retained earnings	296,129	213,996
Total equity	2,436,280	1,683,028
Total liabilities and equity	\$ 6,684,499	\$ 4,279,208

See accompanying notes.

**Table of Contents****Acadia Healthcare Company, Inc.****Condensed Consolidated Statements of Income****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(In thousands, except per share amounts)</b>			
Revenue before provision for doubtful accounts	\$ 767,054	\$ 461,798	\$ 1,394,237	\$ 835,956
Provision for doubtful accounts	(10,506)	(8,138)	(20,876)	(16,513)
<b>Revenue</b>	<b>756,548</b>	<b>453,660</b>	<b>1,373,361</b>	<b>819,443</b>
Salaries, wages and benefits (including equity-based compensation expense of \$6,888, \$5,355, \$13,844 and \$9,249, respectively)	408,287	243,302	749,315	449,173
Professional fees	50,292	30,029	90,283	52,456
Supplies	31,209	20,542	57,894	36,796
Rents and leases	20,467	8,211	35,273	14,097
Other operating expenses	80,955	51,128	151,202	91,655
Depreciation and amortization	36,752	14,926	64,727	28,030
Interest expense, net	48,758	28,049	86,472	50,195
(Gain) loss on foreign currency derivatives	(98)	961	(508)	908
Transaction-related expenses	6,074	7,157	32,372	25,573
<b>Total expenses</b>	<b>682,696</b>	<b>404,305</b>	<b>1,267,030</b>	<b>748,883</b>
Income from continuing operations before income taxes	73,852	49,355	106,331	70,560
Provision for income taxes	18,261	15,512	25,371	22,125
Income from continuing operations	55,591	33,843	80,960	48,435
Income from discontinued operations, net of income taxes		1		3
<b>Net income</b>	<b>55,591</b>	<b>33,844</b>	<b>80,960</b>	<b>48,438</b>
Net loss attributable to noncontrolling interests	854		1,173	
Net income attributable to Acadia Healthcare Company, Inc.	\$ 56,445	\$ 33,844	\$ 82,133	\$ 48,438
<b>Basic earnings attributable to Acadia Healthcare Company, Inc. stockholders:</b>				
Income from continuing operations	\$ 0.65	\$ 0.50	\$ 0.97	\$ 0.74
Income from discontinued operations				
<b>Net income</b>	<b>\$ 0.65</b>	<b>\$ 0.50</b>	<b>\$ 0.97</b>	<b>\$ 0.74</b>

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Diluted earnings attributable to Acadia Healthcare Company, Inc. stockholders:				
Income from continuing operations	\$ 0.65	\$ 0.49	\$ 0.97	\$ 0.74
Income from discontinued operations				
Net income	\$ 0.65	\$ 0.49	\$ 0.97	\$ 0.74
Weighted-average shares outstanding:				
Basic	86,553	68,296	84,748	65,429
Diluted	86,876	68,735	85,052	65,782

See accompanying notes.

**Table of Contents****Acadia Healthcare Company, Inc.****Condensed Consolidated Statements of Comprehensive Income****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(In thousands)</b>			
Net income	\$ 55,591	\$ 33,844	\$ 80,960	\$ 48,438
Other comprehensive income:				
Foreign currency translation (loss) gain	(213,468)	46,173	(261,883)	16,784
Gain on derivative instruments, net of tax of \$16,540, \$0, \$16,540 and \$0, respectively	23,919		23,919	
Other comprehensive (loss) income	(189,549)	46,173	(237,964)	16,784
Comprehensive (loss) income	(133,958)	80,017	(157,004)	65,222
Comprehensive loss attributable to noncontrolling interests	854		1,173	
Comprehensive (loss) income attributable to Acadia Healthcare Company, Inc.	\$ (133,104)	\$ 80,017	\$ (155,831)	\$ 65,222

See accompanying notes.



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**Acadia Healthcare Company, Inc.**  
**Condensed Consolidated Statement of Equity**  
**(Unaudited)**

	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Other Comprehensive Loss</b>	<b>Retained Earnings (Accumulated Deficit)</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>				
Balance at December 31, 2015	70,746	\$ 707	\$ 1,572,972	\$ (104,647)	\$ 213,996	\$ 1,683,028
Common stock issued under stock incentive plans	291	3	278			281
Common stock withheld for minimum statutory taxes			(7,646)			(7,646)
Equity-based compensation expense			13,844			13,844
Issuance of common stock, net	15,534	155	901,824			901,979
Other comprehensive loss				(237,964)		(237,964)
Other			625			625
Net income					82,133	82,133
Balance at June 30, 2016	86,571	\$ 865	\$ 2,481,897	\$ (342,611)	\$ 296,129	\$ 2,436,280

See accompanying notes.

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**Acadia Healthcare Company, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
	<b>(In thousands)</b>	
<b>Operating activities:</b>		
Net income	\$ 80,960	\$ 48,438
<b>Adjustments to reconcile net income to net cash provided by continuing operating activities:</b>		
Depreciation and amortization	64,727	28,030
Amortization of debt issuance costs	4,956	3,218
Equit		