

CROSS COUNTRY HEALTHCARE INC

Form 10-Q

August 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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FORM 10-Q

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☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended June 30, 2015

Or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

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CROSS COUNTRY HEALTHCARE, INC.

(Exact name of registrant as specified in its charter)

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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)

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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 ☐

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 32,238,700 shares of Common Stock, par value \$0.0001 per share, as of July 31, 2015.



## 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, 2014, 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.

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CROSS COUNTRY HEALTHCARE, INC.

INDEX

FORM 10-Q

JUNE 30, 2015

	PAGE
<u>PART I. – FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1. Condensed Consolidated Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>4</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>5</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
<u>Item 4. Controls and Procedures</u>	<u>33</u>
<u>PART II. – OTHER INFORMATION</u>	<u>34</u>
<u>Item 1. Legal Proceedings</u>	<u>34</u>
<u>Item 1A. Risk Factors</u>	<u>34</u>
<u>Item 6. Exhibits</u>	<u>34</u>
<u>Signatures</u>	<u>35</u>

## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CROSS COUNTRY HEALTHCARE, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited, amounts in thousands)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$8,679	\$4,995
Accounts receivable, net of allowances of \$2,990 in 2015 and \$1,425 in 2014	120,621	113,129
Income taxes receivable	207	307
Prepaid expenses	6,697	6,073
Insurance recovery receivable	4,196	5,624
Other current assets	1,020	1,055
Total current assets	141,420	131,183
Property and equipment, net of accumulated depreciation of \$38,642 in 2015 and \$47,590 in 2014	11,197	12,133
Trade names, net	38,201	38,201
Goodwill	90,647	90,647
Other identifiable intangible assets, net of accumulated amortization of \$36,174 in 2015 and \$34,209 in 2014	31,858	33,823
Debt issuance costs, net	1,068	1,257
Other non-current assets	17,263	17,889
Total assets	\$331,654	\$325,133
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$26,301	\$27,314
Accrued compensation and benefits	34,251	28,731
Current portion of long-term debt and capital lease obligations	3,104	3,607
Sales tax payable	2,797	2,573
Deferred purchase price	2,207	—
Deferred tax liabilities	1,740	1,981
Other current liabilities	2,760	2,790
Total current liabilities	73,160	66,996
Long-term debt and capital lease obligations, less current portion	68,655	70,467
Non-current deferred tax liabilities	19,692	18,038
Long-term accrued claims	28,749	32,068
Long-term deferred purchase price	—	2,333
Other long-term liabilities	4,850	4,899
Total liabilities	195,106	194,801
Commitments and contingencies		
Stockholders' equity:		

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Common stock	3	3
Additional paid-in capital	248,218	247,467
Accumulated other comprehensive loss	(1,136	) (1,118 )
Accumulated deficit	(110,967	) (116,474 )
Total Cross Country Healthcare stockholders' equity	136,118	129,878
Noncontrolling interest	430	454
Total stockholders' equity	136,548	130,332
Total liabilities and stockholders' equity	\$331,654	\$325,133

See accompanying notes to the condensed consolidated financial statements

1

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CROSS COUNTRY HEALTHCARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue from services	\$ 192,617	\$ 122,656	\$ 378,581	\$ 240,747
Operating expenses:				
Direct operating expenses	144,254	90,220	283,181	177,861
Selling, general and administrative expenses	40,891	29,167	82,057	58,622
Bad debt expense	131	32	222	464
Depreciation	989	817		