

HEALTHCARE SERVICES GROUP INC
Form 10-Q
October 21, 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 September 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 0-12015

HEALTHCARE SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

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Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2018365
(I.R.S. Employer Identification
number)

3220 Tillman Drive-Suite 300, Bensalem, Pennsylvania
(Address of principal executive office)

19020
(Zip code)

Registrant's telephone number, including area code: 215-639-4274

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$.01 Par Value: 66,758,000 shares outstanding as of October 20, 2011.

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	(Unaudited) September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 27,128,000	\$ 39,692,000
Marketable securities, at fair value	41,174,000	43,437,000
Accounts and notes receivable, less allowance for doubtful accounts of \$4,758,000 in 2011 and \$4,069,000 in 2010	117,292,000	108,426,000
Inventories and supplies	22,195,000	20,614,000
Prepaid income taxes	1,135,000	3,978,000
Prepaid expenses and other	6,808,000	5,628,000
Total current assets	215,732,000	221,775,000
Property and equipment:		
Laundry and linen equipment installations	2,044,000	1,886,000
Housekeeping equipment and office furniture	23,564,000	20,111,000
Autos and trucks	299,000	284,000
	25,907,000	22,281,000
Less accumulated depreciation	16,534,000	15,625,000
	9,373,000	6,656,000
GOODWILL	16,955,000	16,955,000
OTHER INTANGIBLE ASSETS , less accumulated amortization of \$7,366,000 in 2011 and \$5,938,000 in 2010	7,914,000	7,262,000
NOTES RECEIVABLE long term portion, net of discount	2,443,000	5,055,000
DEFERRED COMPENSATION FUNDING , at fair value	12,387,000	12,080,000
DEFERRED INCOME TAXES long term portion	8,472,000	8,109,000
OTHER NONCURRENT ASSETS	39,000	42,000
TOTAL ASSETS	\$ 273,315,000	\$ 277,934,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,025,000	\$ 11,434,000
Accrued payroll, accrued and withheld payroll taxes	12,029,000	21,429,000
Other accrued expenses	1,643,000	1,988,000
Deferred income taxes	192,000	604,000
Accrued insurance claims	5,863,000	5,076,000
Total current liabilities	29,752,000	40,531,000
ACCRUED INSURANCE CLAIMS long term portion	13,681,000	11,845,000
DEFERRED COMPENSATION LIABILITY	12,786,000	12,479,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value; 100,000,000 shares authorized; 69,441,000 shares issued in 2011 and 69,315,000 shares in 2010	694,000	693,000
Additional paid-in capital	104,924,000	100,138,000
Retained earnings	127,090,000	130,993,000
Accumulated other comprehensive income (loss), net of taxes	373,000	(78,000)
Common stock in treasury, at cost, 2,688,000 shares in 2011 and 3,139,000 shares in 2010	(15,985,000)	(18,667,000)

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Total stockholders equity	217,096,000	213,079,000
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 273,315,000	\$ 277,934,000

See accompanying notes.

Table of Contents**Consolidated Statements of Income****(Unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues	\$ 218,929,000	\$ 195,114,000	\$ 638,826,000	\$ 571,868,000
Operating costs and expenses:				
Costs of services provided	188,041,000	168,384,000	549,768,000	492,196,000
Selling, general and administrative	14,344,000	14,488,000	46,635,000	41,539,000
Other income/(loss):				
Investment and interest	(1,355,000)	1,182,000	(178,000)	1,549,000
Income before income taxes	15,189,000	13,424,000	42,245,000	39,682,000
Income taxes	5,193,000	4,255,000	14,654,000	14,364,000
Net income	\$ 9,996,000	\$ 9,169,000	\$ 27,591,000	\$ 25,318,000
Basic earnings per common share	\$ 0.15	\$ 0.14	\$ 0.41	\$ 0.38
Diluted earnings per common share	\$ 0.15	\$ 0.14	\$ 0.41	\$ 0.38
Cash dividends per common share	\$ 0.16	\$ 0.15	\$ 0.47	\$ 0.44
Weighted average number of common shares outstanding				
Basic	66,710,000	66,039,000	66,544,000	65,946,000
Diluted	67,530,000	67,079,000	67,510,000	67,016,000

See accompanying notes.

Table of Contents**Consolidated Statements of Cash Flows**

	(Unaudited) For the Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 27,591,000	\$ 25,318,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,123,000	2,725,000
Bad debt provision	2,100,000	1,550,000
Change in deferred income taxes	(774,000)	(2,685,000)
Share-based compensation expense	1,630,000	947,000
Amortization of premium on marketable securities	735,000	623,000
Unrealized loss on marketable securities	377,000	849,000
Unrealized (gain) loss on deferred compensation fund investments	984,000	(476,000)
Changes in operating assets and liabilities:		
Accounts and notes receivable	(10,967,000)	(5,557,000)
Inventories and supplies	(1,582,000)	(1,883,000)
Prepaid income taxes	2,843,000	
Prepaid expenses and other assets	(1,177,000)	1,809,000
Notes receivable - long term portion	2,613,000	(1,461,000)
Deferred compensation funding	(1,291,000)	(1,250,000)
Accounts payable and other accrued expenses	(1,664,000)	(2,529,000)
Accrued payroll, accrued and withheld payroll taxes	(8,484,000)	(8,499,000)
Income taxes payable		180,000
Accrued insurance claims	2,623,000	3,960,000
Deferred compensation liability	707,000	2,055,000
Net cash provided by operating activities	19,387,000	15,676,000
Cash flows from investing activities:		
Proceeds from disposals of fixed assets	20,000	44,000
Additions to property and equipment	(4,431,000)	(2,537,000)
Purchases of marketable securities	(17,276,000)	(33,963,000)
Sales of marketable securities	18,877,000	40,792,000
Cash paid for acquisition	(1,000,000)	
Net cash provided by (used in) investing activities	(3,810,000)	4,336,000
Cash flows from financing activities:		
Dividends paid	(31,494,000)	