

AMERIPATH INC  
Form 10-Q  
November 14, 2002  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D. C. 20549

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**FORM 10-Q**

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002**

or

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

**Commission File Number: 000-22313**

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**AMERIPATH, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**65-0642485**  
(I.R.S. Employer  
Identification No.)

**7289 Garden Road, Suite 200,**  
**Riviera Beach, Florida**  
(Address of principal executive offices)

**33404**  
(Zip Code)

**(561) 845-1850**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and formal fiscal year, if changed since last report)

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 x      No ..

The registrant had 30,659,075 shares of common stock, \$.01 par value, outstanding as of November 1, 2002.

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**AMERIPATH, INC. AND SUBSIDIARIES**

**QUARTERLY REPORT ON FORM 10-Q**

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**AMERIPATH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

|   | September 30,<br>2002<br>(Unaudited) | December 31,<br>2001 |
|---|--------------------------------------|----------------------|
| <b>ASSETS</b>                                     |                                      |                      |
| CURRENT ASSETS:                                   |                                      |                      |
| Cash and cash equivalents                         | \$ 5,459                             | \$ 4,808             |
| Accounts receivable, net                          | 93,399                               | 81,595               |
| Inventories                                       | 1,169                                | 1,892                |
| Other current assets                              | 20,340                               | 15,780               |
| Total current assets                              | 120,367                              | 104,075              |
| PROPERTY AND EQUIPMENT, NET                       | 24,234                               | 24,118               |
| OTHER ASSETS:                                     |                                      |                      |
| Goodwill, net                                     | 257,479                              | 216,222              |
| Identifiable intangibles, net                     | 254,099                              | 253,562              |
| Other   | 5,335                                | 6,485                |
| Total other assets                                | 516,913                              | 476,269              |
| Total Assets                                      | \$ 661,514                           | \$ 604,462           |
| <b>LIABILITIES AND COMMON STOCKHOLDERS EQUITY</b> |                                      |                      |
| CURRENT LIABILITIES:                              |                                      |                      |
| Accounts payable and accrued expenses             | \$ 55,627                            | \$ 42,876            |
| Current portion of long-term debt                 | 651                                  | 469                  |
| Other current liabilities                         | 3,937                                | 3,910                |
| Total current liabilities                         | 60,215                               | 47,255               |
| LONG-TERM LIABILITIES:                            |                                      |                      |
| Revolving loan                                    | 86,000                               | 90,000               |
| Long-term debt                                    | 2,399                                | 2,853                |
| Other liabilities                                 | 1,386                                | 2,690                |
| Deferred tax liability                            | 67,884                               | 62,474               |
| Total long-term liabilities                       | 157,669                              | 158,017              |
| COMMITMENTS AND CONTINGENCIES                     |                                      |                      |
| STOCKHOLDERS EQUITY:                              |                                      |                      |
| Common stock                                      | 307                                  | 302                  |

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|  |            |            |
|--|------------|------------|
| Additional paid-in capital                 | 321,026    | 314,168    |
| Retained earnings                          | 122,297    | 84,720     |
|  | <hr/>      | <hr/>      |
| Total stockholders' equity                 | 443,630    | 399,190    |
|  | <hr/>      | <hr/>      |
| Total Liabilities and Stockholders' Equity | \$ 661,514 | \$ 604,462 |
|  | <hr/>      | <hr/>      |

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

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**AMERIPATH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share amounts)  
(Unaudited)

|  | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|-----------------|------------------------------------|------------------|
|  | 2002                                | 2001            | 2002                               | 2001             |
| <b>NET REVENUES:</b>                         |                                     |                 |                                    |                  |
| Net patient service revenue                  | \$ 117,049                          | \$ 97,555       | \$ 336,983                         | \$ 286,614       |
| Net management service revenue               | 6,692                               | 8,503           | 20,389                             | 23,241           |
| <b>Total net revenues</b>                    | <b>123,741</b>                      | <b>106,058</b>  | <b>357,372</b>                     | <b>309,855</b>   |
| <b>OPERATING COSTS AND EXPENSES:</b>         |                                     |                 |                                    |                  |
| Cost of Services:                            |                                     |                 |                                    |                  |
| Net patient service revenue                  | 57,361                              | 45,165          | 162,770                            | 132,942          |
| Net management service revenue               | 3,889                               | 5,756           | 11,705                             | 15,801           |
| <b>Total cost of services</b>                | <b>61,250</b>                       | <b>50,921</b>   | <b>174,475</b>                     | <b>148,743</b>   |
| Selling, general and administrative expenses | 21,852                              | 18,089          | 62,542                             | 53,475           |
| Provision for doubtful accounts              | 14,759                              | 12,617          | 42,873                             | 35,823           |
| Amortization expense                         | 2,892                               | 4,677           | 8,477                              | 13,857           |
| Asset impairment and related charges         | 2,753                               |                 | 2,753                              |                  |
| Merger-related charges                       |                                     |                 |                                    | 7,103            |
| <b>Total operating costs and expenses</b>    | <b>103,506</b>                      | <b>86,304</b>   | <b>291,120</b>                     | <b>259,001</b>   |
| <b>INCOME FROM OPERATIONS</b>                | <b>20,235</b>                       | <b>19,754</b>   | <b>66,252</b>                      | <b>50,854</b>    |
| <b>OTHER INCOME (EXPENSE):</b>               |                                     |                 |                                    |                  |
| Interest expense                             | (1,129)                             | (4,443)         | (3,259)                            | (13,880)         |
| Write down of Genomics investment            | (1,000)                             |                 | (1,000)                            |                  |
| Other, net                                   | 403                                 | (74)            | 534                                | 70               |
| <b>Total other expense</b>                   | <b>(1,726)</b>                      | <b>(4,517)</b>  | <b>(3,725)</b>                     | <b>(13,810)</b>  |
| <b>INCOME BEFORE INCOME TAXES</b>            | <b>18,509</b>                       | <b>15,237</b>   | <b>62,527</b>                      | <b>37,044</b>    |
| <b>PROVISION FOR INCOME TAXES</b>            | <b>7,343</b>                        | <b>6,369</b>    | <b>24,950</b>                      | <b>15,788</b>    |
| <b>NET INCOME</b>                            | <b>\$ 11,166</b>                    | <b>\$ 8,868</b> | <b>\$ 37,577</b>                   | <b>\$ 21,256</b> |
| <b>BASIC EARNINGS PER COMMON SHARE:</b>      |                                     |                 |                                    |                  |
| Basic earnings per common share              | \$ 0.36                             | \$ 0.35         | \$ 1.23                            | \$ 0.85          |
| Basic weighted average shares outstanding    | 30,658                              | 25,277          | 30,500                             | 25,061           |
| <b>DILUTED EARNINGS PER COMMON SHARE:</b>    |                                     |                 |                                    |                  |
| Diluted earnings per common share            | \$ 0.36                             | \$ 0.34         | \$ 1.21                            | \$ 0.81          |
| Diluted weighted average shares outstanding  | 31,019                              | 26,390          | 31,106                             | 26,147           |



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

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**AMERIPATH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

|   | <b>Nine Months Ended<br/>September 30,</b> |             |
|---|--|-------------|
|   | <b>2002</b>                                | <b>2001</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |  |             |
| Net income  | \$ 37,577                                  | \$ 21,256   |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |             |
| Depreciation and amortization   | 14,336                                     | 19,012      |
| (Gain) loss on disposal of assets   | (30)                                       | 120         |
| Gain on sale of managed practice  | (254)                                      |             |