
Section 1: 8-K (LHC GROUP, INC. 8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

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

Date of report (Date of earliest event reported): **August 1, 2018**

LHC GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction
of Incorporation)

001-33989

(Commission File Number)

71-0918189

(I.R.S. Employer
Identification No.)

**901 Hugh Wallis Road South
Lafayette, LA 70508**

(Address of Principal Executive Offices, including Zip Code)

(337) 233-1307

(Registrant's telephone number, including area code)

**420 West Pinhook Rd., Suite A
Lafayette, LA 70503**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the

following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 1, 2018, the Company issued a press release announcing its financial results for the second quarter and six months ended June 30, 2018. A copy of the press release is furnished with this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

The information furnished pursuant to Item 2.02 and Exhibit 99.1 of this Current Report on Form 8-K shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Current Report, regardless of any general incorporation language in the filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

The following exhibit is furnished with this Current Report on Form 8-K:

| EXHIBIT NO. | DESCRIPTION |
|-------------|--|
| 99.1 | Press Release, dated August 1, 2018, announcing the Company’s financial results for the second quarter and six months ended June 30, 2018. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LHC GROUP, INC.

By: /s/ Joshua L. Proffitt
Joshua L. Proffitt
Executive Vice President, Chief
Financial Officer and Treasurer

INDEX TO EXHIBITS

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|-------------|--|
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Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

LHC Group Announces Second Quarter 2018 Financial Results

Affirms 2018 Guidance and Remains on Track with Merger Integration and Synergies

LAFAYETTE, La.--(BUSINESS WIRE)--August 1, 2018--LHC Group, Inc. (NASDAQ: LHCG) announced its financial results for the three and six months ended June 30, 2018.

Financial Results for the Second Quarter of 2018

- Net service revenue increased 95.0% to a record \$502.0 million compared with \$257.5 million in the second quarter of 2017.
- Net income attributable to LHC Group's common stockholders was \$16.8 million, a 48.7% increase from \$11.3 million in the second quarter of 2017. Net income attributable to LHC Group's common stockholders per diluted share was \$0.55, a decrease of 12.7% from \$0.63 in the second quarter of 2017, on a 71.1% increase in weighted average diluted shares outstanding as well as the effect of costs and expenses described within our adjusted results below.
- Adjusted net income attributable to LHC Group's common stockholders was \$25.8 million, up 128.3% from \$11.3 million in the second quarter of 2017. Adjusted net income attributable to LHC Group's common stockholders per diluted share was \$0.84, a 33.3% increase from \$0.63 in the second quarter of 2017. ⁽¹⁾
- Adjusted results for the second quarter of 2018 exclude transaction and other transition related costs, expenses related to certain closures and relocations and the income tax effect of adjustments to income due to certain deal and transaction costs that are not deductible, in the aggregate amount of \$9.0 million after tax, or \$0.29 per diluted share.
- On April 1, 2018, closed on the Almost Family merger. The transaction integration and synergies remain on track resulting in 12% to 15% accretion from the merger for fiscal year 2018.

(1) See "Reconciliation of Non-GAAP Measures – Adjusted net income attributable to LHC Group" to GAAP results on page 10.

Operational and Strategic Highlights

- LHC Group quality and patient satisfaction results continue to exceed the national average with 98% of its same store locations having CMS Quality Star ratings of four stars or greater.
 - Total growth in home health admissions was 98.0%; organic growth was 7.9%.
 - Total growth in home health revenue was 88.6%; organic growth was 9.0%.
 - Total growth in hospice admissions was 40.4%; organic growth was 2.5%.
 - On May 1, 2018, completed a joint venture with St. Mary's Health Network to purchase and share ownership of St. Mary's Home Care Service in Reno, Nevada, followed by a similar agreement on August 1, 2018, for St. Mary's Hospice, also in Reno, Nevada.
 - On August 1, 2018, completed a joint venture with Capital Region Medical Center in Jefferson City, Missouri, to purchase and share ownership of Capital Region Home Health.
-

Commenting on the results, Keith G. Myers, LHC Group's Chairman and Chief Executive Officer, said, "We are very pleased with our strong growth for the second quarter and with the progress we are making in post-merger integration of Almost Family locations as we deploy the same company-wide commitment to quality, growth and efficiency that has led to industry leading performance and to decades of experience in partnering with hospitals and health systems. Our results to date demonstrate that the integration is on track and that our overall growth strategy is delivering on multiple fronts. The opportunities for growth across all service lines are as strong as ever as we continue to leverage our scale, clinical and operational expertise and national in-home healthcare platform to deliver measurable value for partners, payers and, most importantly, for the patients, families and communities we are privileged to serve."

Fiscal Year 2018 Guidance

The Company re-affirmed its guidance for fiscal year 2018 issued on May 2, 2018. Net service revenue is expected to be in a range of \$1.81 billion to \$1.86 billion, and adjusted earnings per diluted share is expected to be in a range of \$3.45 to \$3.55. The guidance assumes the following:

- The Company expects to achieve a total of \$25 million in pre-tax synergies in connection with the Almost Family transaction, with \$8 million to \$12 million realized in 2018 (of which approximately \$2 million has been realized through the second quarter of 2018);
- An estimated effective tax rate of 28% to 29%, which reflects the positive impact from passage of the Tax Cuts and Jobs Act of 2017; and
- Weighted average diluted shares of approximately 28.0 million.

The Company's guidance ranges do not take into account the impact of future reimbursement changes, if any, future acquisitions, if made, *de novo* locations, if opened, or future legal expenses, if necessary. The adjusted earnings guidance for 2018 is presented on a non-GAAP basis, as it does not include the impact of transaction related costs, integration related expenses or other expenses related to the merger or other acquisitions. Given the difficulty in predicting the future amount and timing of merger related expenses, the Company cannot reasonably provide a full reconciliation of its fiscal year 2018 adjusted earnings per share guidance to GAAP earnings per share.

Commenting on the 2018 outlook, Joshua L. Proffitt, LHC Group's Chief Financial Officer, added, "The full year is unfolding much like we anticipated with a combination of strong organic and adjusted earnings growth driven by high quality service, realization of transaction synergies and improved operations. We are pleased with the size and quality of our acquisition pipeline and expect that we will build on the pace we have set through the balance of the year as we continue to demonstrate the value proposition we are uniquely positioned to deliver with our national in-home healthcare platform."

Conference Call

LHC Group will host a conference call on Thursday, August 2, 2018, at 11:00 a.m. Eastern time to discuss its second quarter 2018 results. The toll-free number to call for this interactive teleconference is (866) 393-1608 (international callers: (973) 890-8327). A telephonic replay of the conference call will be available through midnight on August 9, 2018, by dialing (855) 859-2056 (international callers: (404) 537-3406) and entering confirmation number 3998663.

A live broadcast of LHC Group's conference call will be available under the Investor Relations section of the Company's website, www.LHCgroup.com. A one-year online replay will be available approximately an hour following the conclusion of the live broadcast.

About LHC Group, Inc.

LHC Group, Inc. is a national provider of in-home healthcare services and innovations, providing quality, value-based healthcare to patients primarily within the comfort and privacy of their home or place of residence. LHC Group's services cover a wide range of healthcare needs for patients and families dealing with illness, injury, or chronic conditions. The company's approximately 30,000 employees deliver home health, hospice, home and community based services, and facility-based services from approximately 780 locations in communities in 37 states. Through its healthcare innovations business, LHC Group drives increased utilization of home healthcare and enhances patient and caregiver engagement. LHC Group is the preferred in-home healthcare partner for 76 health systems, consisting of 337 leading hospitals around the country.

Forward-looking Statements

This press release contains "forward-looking statements" (as defined in the Securities Litigation Reform Act of 1995) regarding, among other things, future events or the future financial performance of the Company, or anticipated benefits of the transaction. Words such as "anticipate," "expect," "project," "intend," "believe," "will," "estimates," "may," "could," "should" and words and terms of similar substance used in connection with any discussion of future plans, actions or events identify forward-looking statements. Forward-looking statements contained in this press release include, but are not limited to: our 2018 revenue and earnings guidance, statements about the benefits of the merger, including anticipated earnings accretion, synergies and cost savings and the timing thereof; the Company's plans, objectives, expectations, projections and intentions; and other statements relating to the transaction that are not historical facts. Forward-looking statements are based on information currently available to the Company and involve estimates, expectations and projections. Investors are cautioned that all such forward-looking statements are subject to risks and uncertainties, and important factors could cause actual events or results to differ materially from those indicated by such forward-looking statements. With respect to the merger, these risks, uncertainties and factors include, but are not limited to: the risk that the businesses will not be integrated successfully; the risk that the cost savings, synergies and growth from the transaction may not be fully realized or may take longer to realize than expected; the diversion of management time on integration-related issues; and the risk that costs associated with the integration of the businesses are higher than anticipated. With respect to the Company's businesses, these risks, uncertainties and factors include, but are not limited to: changes in, or failure to comply with, existing government regulations that impact the Company's businesses; legislative proposals for healthcare reform; the impact of changes in future interpretations of fraud, anti-kickback, or other laws; changes in Medicare and Medicaid reimbursement levels; changes in laws and regulations with respect to Accountable Care Organizations; changes in the marketplace and regulatory environment for Health Risk Assessments; decrease in demand for the Company's services; the potential impact of the transaction on relationships with customers, joint venture and other partners, competitors, management and other employees, including the loss of significant contracts or reduction in revenues associated with major payor sources; ability of customers to pay for services; risks related to any current or future litigation proceedings; potential audits and investigations by government and regulatory agencies, including the impact of any negative publicity or litigation; the ability to attract new customers and retain existing customers in the manner anticipated; the ability to hire and retain key personnel; increased competition from other entities offering similar services as offered by the Company; reliance on and integration of information technology systems; ability to protect intellectual property rights; impact of security breaches, cyber-attacks or fraudulent activity on the Company's reputation; the risks associated with assumptions the parties make in connection with the parties' critical accounting estimates and legal proceedings; the risks associated with the Company's expansion strategy, the successful integration of recent acquisitions, and if necessary, the ability to relocate or restructure current facilities; and the potential impact of an economic downturn or effects of tax assessments or tax positions taken, risks related to goodwill and other intangible asset impairment, tax adjustments, anticipated tax rates, benefit or retirement plan costs, or other regulatory compliance costs.

Many of these risks, uncertainties and assumptions are beyond the Company's ability to control or predict. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the information currently available to the Company on the date they are made, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this press release. The Company does not give any assurance (1) that the Company will achieve its guidance or expectations, or (2) concerning any result or the timing thereof. All subsequent written and oral forward-looking statements concerning the transaction or other matters and attributable to the Company or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above.

LHC GROUP, INC. AND SUBSIDIARIES, CONDENSED CONSOLIDATED BALANCE SHEETS (Amounts in thousands, except share data)

| | June 30, 2018 | Dec. 31, 2017 |
|--|--------------------------|--------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 15,370 | \$ 2,849 |
| Receivables: | | |
| Patient accounts receivable | 280,490 | 161,898 |
| Other receivables | 7,647 | 3,163 |
| Amounts due from governmental entities | 830 | 830 |
| Total receivables | 288,967 | 165,891 |
| Prepaid income taxes | 5,086 | 7,006 |
| Prepaid expenses | 23,713 | 13,042 |

| | | |
|--|---------------------|------------------|
| Other current assets | 17,300 | 12,177 |
| Total current assets | 350,436 | 200,965 |
| Property, building and equipment, net of accumulated depreciation of \$49,173 and \$43,565, respectively | 64,898 | 46,453 |
| Goodwill | 1,118,777 | 392,601 |
| Intangible assets, net of accumulated amortization of \$14,094 and \$13,041, respectively | 325,137 | 134,610 |
| Assets held for sale | 2,850 | — |
| Other assets | 19,572 | 19,073 |
| Total assets | <u>\$ 1,881,670</u> | <u>\$793,702</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|---------------------|------------------|
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 76,800 | \$ 39,750 |
| Salaries, wages, and benefits payable | 99,881 | 44,747 |
| Self-insurance reserve | 26,332 | 12,450 |
| Current portion of long-term debt | 12,617 | 286 |
| Amounts due to governmental entities | 4,375 | 5,019 |
| Total current liabilities | 220,005 | 102,252 |
| Deferred income taxes | 34,022 | 27,466 |
| Income taxes payable | 3,851 | — |
| Revolving credit facility | 242,000 | 144,000 |
| Long term notes payable | 265 | — |
| Total liabilities | 500,143 | 273,718 |
| Noncontrolling interest – redeemable | 17,032 | 13,393 |
| Stockholders' equity: | | |
| LHC Group, Inc. stockholders' equity: | | |
| Preferred stock – \$0.01 par value; 5,000,000 shares authorized; none issued or outstanding | — | — |
| Common stock – \$0.01 par value; 60,000,000 and 40,000,000 shares authorized in 2018 and 2017, respectively; 35,592,424 and 22,640,046 shares issued in 2018 and 2017, respectively | 355 | 226 |
| Treasury stock – 4,953,665 and 4,890,504 shares at cost, respectively | (46,344) | (42,249) |
| Additional paid-in capital | 923,655 | 126,490 |
| Retained earnings | 386,193 | 364,401 |
| Total LHC Group, Inc. stockholders' equity | 1,263,859 | 448,868 |
| Noncontrolling interest – non-redeemable | 100,636 | 57,723 |
| Total equity | 1,364,495 | 506,591 |
| Total liabilities and equity | <u>\$ 1,881,670</u> | <u>\$793,702</u> |

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except share and per share data)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------------|------------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net service revenue | \$ 502,024 | \$ 257,535 | \$ 793,078 | \$ 501,784 |
| Cost of service revenue | 329,646 | 161,158 | 518,264 | 315,528 |
| Gross margin | 172,378 | 96,377 | 274,814 | 186,256 |
| General and administrative expenses | 141,350 | 73,552 | 233,381 | 145,563 |
| Operating income | 31,028 | 22,825 | 41,433 | 40,693 |
| Interest expense | (3,202) | (840) | (4,652) | (1,620) |
| Income before income taxes and noncontrolling interest | 27,826 | 21,985 | 36,781 | 39,073 |
| Income tax expense | 7,170 | 7,792 | 8,147 | 12,965 |
| Net income | 20,656 | 14,193 | 28,634 | 26,108 |
| Less net income attributable to noncontrolling interests | 3,859 | 2,889 | 6,842 | 5,337 |
| Net income attributable to LHC Group, Inc.'s common stockholders | <u>\$ 16,797</u> | <u>\$ 11,304</u> | <u>\$ 21,792</u> | <u>\$ 20,771</u> |
| Earnings per share attributable to LHC Group, Inc.'s common stockholders: | | | | |
| Basic | \$ 0.55 | \$ 0.64 | \$ 0.90 | \$ 1.17 |
| Diluted | <u>\$ 0.55</u> | <u>\$ 0.63</u> | <u>\$ 0.89</u> | <u>\$ 1.16</u> |

Weighted average shares outstanding:

| | | | | |
|---------|------------|------------|------------|------------|
| Basic | 30,497,501 | 17,728,567 | 24,178,781 | 17,686,134 |
| Diluted | 30,742,293 | 17,964,387 | 24,403,310 | 17,911,723 |

LHC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

| | Six Months Ended June 30, | |
|---|------------------------------|------------------|
| | 2018 | 2017 |
| Operating activities: | | |
| Net income | \$ 28,634 | \$ 26,108 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 7,548 | 6,348 |
| Stock-based compensation expense | 3,919 | 3,077 |
| Deferred income taxes | 1,714 | 2,522 |
| (Loss) gain on disposal of assets | (126) | 154 |
| Impairment of intangibles | 778 | — |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Receivables | (18,897) | (1,926) |
| Prepaid expenses and other assets | (6,521) | (2,329) |
| Prepaid income taxes | 4,624 | (3,296) |
| Accounts payable and accrued expenses | 8,729 | 15,119 |
| Income taxes payable | — | (3,499) |
| Net amounts due to/from governmental entities | (704) | 498 |
| Net cash provided by operating activities | <u>29,698</u> | <u>42,776</u> |
| Investing activities: | | |
| Purchases of property, building and equipment | (13,760) | (5,341) |
| Cash acquired from business combination, net of cash paid | 13,086 | — |
| Advanced payments on acquisitions | — | (523) |
| Net cash used in investing activities | <u>(674)</u> | <u>(28,568)</u> |
| Financing activities: | | |
| Proceeds from line of credit | 270,084 | 19,000 |
| Payments on line of credit | (278,884) | (22,000) |
| Proceeds from employee stock purchase plan | 634 | 469 |
| Payments on debt | 135 | (129) |
| Payment on deferred financing fees | (1,881) | — |
| Noncontrolling interest distributions | (5,763) | (5,167) |
| Withholding taxes paid on stock-based compensation | (4,095) | (2,744) |
| Purchase of additional controlling interest | (55) | (184) |
| Sale of noncontrolling interest | 3,322 | 251 |
| Net cash used in financing activities | <u>(16,503)</u> | <u>(10,504)</u> |
| Change in cash | 12,521 | 3,704 |
| Cash at beginning of period | 2,849 | 3,264 |
| Cash at end of period | <u>\$ 15,370</u> | <u>\$ 6,968</u> |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | <u>\$ 3,112</u> | <u>\$ 1,762</u> |
| Income taxes paid | <u>\$ 2,139</u> | <u>\$ 17,320</u> |

LHC GROUP, INC. AND SUBSIDIARIES

SEGMENT INFORMATION

(Amounts in thousands)

(Unaudited)

Three Months Ended June 30, 2018

| | Home Health Services | Hospice Services | Home and Community-Based Services | Facility-Based Services | HCI | Total |
|---|----------------------|------------------|-----------------------------------|-------------------------|-----------|--------------|
| Net service revenue | \$ 360,276 | \$ 50,554 | \$ 52,753 | \$ 28,304 | \$ 10,137 | \$ 502,024 |
| Cost of service revenue | 230,293 | 33,493 | 40,349 | 19,307 | 6,204 | 329,646 |
| General and administrative expenses | 99,162 | 14,613 | 11,777 | 11,088 | 4,710 | 141,350 |
| Operating income | 30,821 | 2,448 | 627 | (2,091) | (777) | 31,028 |
| Interest expense | (2,256) | (473) | (158) | (159) | (156) | (3,202) |
| Income (loss) before income taxes and noncontrolling interests | 28,565 | 1,975 | 469 | (2,250) | (933) | 27,826 |
| Income tax expense (benefit) | 7,091 | 483 | 139 | (313) | (230) | 7,170 |
| Net income (loss) | 21,474 | 1,492 | 330 | (1,937) | (703) | 20,656 |
| Less net income attributable to noncontrolling interests | 3,810 | 412 | (90) | (207) | (66) | 3,859 |
| Net income (loss) attributable to LHC Group, Inc.'s common stockholders | \$ 17,664 | \$ 1,080 | \$ 420 | \$ (1,730) | \$ (637) | \$ 16,797 |
| Total assets | \$ 1,306,773 | \$ 189,447 | \$ 255,456 | \$ 66,665 | \$ 63,329 | \$ 1,881,670 |

Three Months Ended June 30, 2017

| | Home Health Services | Hospice Services | Home and Community-Based Services | Facility-Based Services | HCI | Total |
|--|----------------------|------------------|-----------------------------------|-------------------------|------|------------|
| Net service revenue | \$ 192,409 | \$ 37,851 | \$ 10,746 | \$ 16,529 | \$ — | \$ 257,535 |
| Cost of service revenue | 117,606 | 24,473 | 7,986 | 11,093 | — | 161,158 |
| General and administrative expenses | 55,268 | 10,743 | 2,261 | 5,280 | — | 73,552 |
| Operating income | 19,535 | 2,635 | 499 | 156 | — | 22,825 |
| Interest expense | (630) | (126) | (42) | (42) | — | (840) |
| Income from continuing operations before income taxes and noncontrolling interests | 18,905 | 2,509 | 457 | 114 | — | 21,985 |
| Income tax expense | 6,757 | 849 | 180 | 6 | — | 7,792 |
| Net income | 12,148 | 1,660 | 277 | 108 | — | 14,193 |
| Less net income attributable to noncontrolling interests | 2,266 | 480 | 5 | 138 | — | 2,889 |
| Net income (loss) attributable to LHC Group, Inc.'s common stockholders | \$ 9,882 | \$ 1,180 | \$ 272 | \$ (30) | \$ — | \$ 11,304 |
| Total assets | \$ 466,308 | \$ 138,519 | \$ 33,292 | \$ 34,547 | \$ — | \$ 672,666 |

LHC GROUP, INC. AND SUBSIDIARIES
SEGMENT INFORMATION (Continued)

(Amounts in thousands)
(Unaudited)

Six Months Ended June 30, 2018

| | Home Health Services | Hospice Services | Home and Community-Based Services | Facility-Based Services | HCI | Total |
|---|----------------------|------------------|-----------------------------------|-------------------------|-----------|------------|
| Net service revenue | \$ 564,463 | \$ 93,180 | \$ 66,844 | \$ 58,454 | \$ 10,137 | \$ 793,078 |
| Cost of service revenue | 360,453 | 61,512 | 51,139 | 38,956 | 6,204 | 518,264 |
| General and administrative expenses | 165,452 | 27,910 | 15,075 | 20,234 | 4,710 | 233,381 |
| Operating income | 38,558 | 3,758 | 630 | (736) | (777) | 41,433 |
| Interest expense | (3,343) | (690) | (230) | (232) | (157) | (4,652) |
| Income (loss) before income taxes and noncontrolling interest | 35,215 | 3,068 | 400 | (968) | (934) | 36,781 |
| Income tax expense (benefit) | 7,813 | 594 | 124 | (154) | (230) | 8,147 |
| Net income (loss) | 27,402 | 2,474 | 276 | (814) | (704) | 28,634 |
| Less net income attributable to noncontrolling interests | 6,047 | 829 | (70) | 102 | (66) | 6,842 |
| Net income (loss) attributable to LHC Group, Inc.'s common stockholders | \$ 21,355 | \$ 1,645 | \$ 346 | \$ (916) | \$ (638) | \$ 21,792 |

Six Months Ended June 30, 2017

Home and

| | Home Health Services | Hospice Services | Community-Based Services | Facility-Based Services | HCI | Total |
|---|----------------------|------------------|--------------------------|-------------------------|------|------------|
| Net service revenue | \$ 373,067 | \$ 73,799 | \$ 21,287 | \$ 33,631 | \$ — | \$ 501,784 |
| Cost of service revenue | 229,692 | 47,746 | 15,934 | 22,156 | — | 315,528 |
| General and administrative expenses | 109,190 | 21,149 | 4,572 | 10,652 | — | 145,563 |
| Operating income | 34,185 | 4,904 | 781 | 823 | — | 40,693 |
| Interest expense | (1,215) | (243) | (81) | (81) | — | (1,620) |
| Income from continuing operations before income taxes and noncontrolling interest | 32,970 | 4,661 | 700 | 742 | — | 39,073 |
| Income tax expense | 11,010 | 1,508 | 263 | 184 | — | 12,965 |
| Net income | 21,960 | 3,153 | 437 | 558 | — | 26,108 |
| Less net income attributable to noncontrolling interests | 4,294 | 766 | 13 | 264 | — | 5,337 |
| Net income attributable to LHC Group, Inc.'s common stockholders | \$ 17,666 | \$ 2,387 | \$ 424 | \$ 294 | \$ — | \$ 20,771 |

LHC GROUP, INC. AND SUBSIDIARIES
SELECT CONSOLIDATED KEY STATISTICAL AND FINANCIAL DATA
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Key Data: | | | | |
| Home-Health Services: | | | | |
| Locations | 568 | 315 | 568 | 315 |
| Acquired | 253 | 12 | 254 | 23 |
| <i>De novo</i> | — | — | — | — |
| Divested/Consolidated | (4) | (2) | (5) | (3) |
| Total new admissions | 93,905 | 47,436 | 147,028 | 94,721 |
| Medicare new admissions | 59,012 | 29,765 | 92,040 | 59,584 |
| Average daily census | 76,708 | 43,143 | 76,516 | 42,397 |
| Average Medicare daily census | 51,279 | 29,554 | 51,290 | 29,306 |
| Medicare completed and billed episodes | 96,370 | 53,238 | 150,690 | 104,999 |
| Average Medicare case mix for completed and billed Medicare episodes | 1.10 | 1.09 | 1.10 | 1.08 |
| Average reimbursement per completed and billed Medicare episodes | \$ 2,975 | \$ 2,787 | \$ 2,925 | \$ 2,753 |
| Total visits | 2,505,210 | 1,418,908 | 4,000,328 | 2,726,906 |
| Total Medicare visits | 1,703,373 | 980,033 | 2,712,798 | 1,900,591 |
| Average visits per completed and billed Medicare episodes | 17.7 | 18.4 | 18.0 | 18.4 |
| Organic growth: ⁽¹⁾ | | | | |
| Net revenue | 9.0% | 11.9% | 9.0% | 9.9% |
| Net Medicare revenue | 5.1% | 6.4% | 4.9% | 5.6% |
| Total new admissions | 7.9% | 10.4% | 7.2% | 11.0% |
| Medicare new admissions | 5.4% | 6.4% | 4.8% | 7.0% |
| Average daily census | 2.3% | 4.9% | 2.9% | 4.5% |
| Average Medicare daily census | -1.0% | -0.1% | -0.8% | -0.6% |
| Medicare completed and billed episodes | 2.4% | -0.8% | 1.0% | 0.3% |
| Home and Community-Based Services: | | | | |
| Locations | 80 | 11 | 80 | 11 |
| Acquired | 64 | — | 64 | — |
| <i>De novo</i> | — | — | 4 | — |
| Divested/Consolidated | — | — | — | — |
| Average daily census | 14,557 | 1,746 | 14,528 | 1,712 |
| Billable hours | 2,227,831 | 381,107 | 2,706,614 | 752,780 |
| Revenue per billable hour | \$ 24.13 | \$ 28.46 | \$ 25.15 | \$ 28.78 |
| Hospice-Based Services: | | | | |
| Locations | 106 | 87 | 106 | 87 |
| Acquired | 15 | 13 | 15 | 21 |
| <i>De novo</i> | — | — | — | — |
| Divested/Consolidated | — | — | — | — |
| Admissions | 4,528 | 3,224 | 8,582 | 6,276 |
| Average daily census | 3,659 | 3,029 | 3,399 | 2,926 |

| | | | | |
|---------------------------------|---------|---------|---------|---------|
| Patient days | 332,978 | 275,630 | 615,198 | 529,548 |
| Average revenue per patient day | \$ 154 | \$ 140 | \$ 154 | \$ 142 |

Facility-Based Services:

Long-term Acute Care

| | | | | |
|---------------------------------|----------|----------|----------|----------|
| Locations | 12 | 8 | 12 | 8 |
| Acquired | — | — | — | — |
| Divested/Consolidated | (2) | — | (2) | — |
| Patient days | 19,983 | 13,075 | 41,037 | 26,807 |
| Average revenue per patient day | \$ 1,386 | \$ 1,083 | \$ 1,361 | \$ 1,085 |
| Occupancy rate | 69.7% | 76.4% | 70.2% | 78.8% |

(1) Organic growth is calculated as the sum of same store plus de novo for the period divided by total from the same period in the prior year.

LHC GROUP, INC. AND SUBSIDIARIES
RECONCILIATION OF REVENUE AFTER ADOPTION OF ASU 2014-09

(Amounts in thousands, Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net Service Revenue, pre-adoption | \$ 509,742 | \$ 260,210 | \$ 805,722 | \$ 506,828 |
| Less: Implicit price concession ⁽¹⁾ | 7,718 | 2,675 | 12,644 | 5,044 |
| Net Service Revenue, post-adoption | \$ 502,024 | \$ 257,535 | \$ 793,078 | \$ 501,784 |

RECONCILIATION OF ADJUSTED NET INCOME
ATTRIBUTABLE TO LHC GROUP, INC.

(Amounts in thousands, Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income attributable to LHC Group, Inc.'s common stockholders | \$ 16,797 | \$ 11,304 | \$ 21,792 | \$ 20,771 |
| Add (net of tax): | | | | |
| AFAM merger/acquisition expenses ⁽²⁾ | 5,860 | — | 12,171 | — |
| Closures/relocations ⁽³⁾ | 2,464 | — | 2,464 | — |
| Income tax effect of adjustments to income ⁽⁴⁾ | 689 | — | 689 | — |
| Adjusted net income attributable to LHC Group, Inc.'s common stockholders | \$ 25,810 | \$ 11,304 | \$ 37,116 | \$ 20,771 |

RECONCILIATION OF ADJUSTED NET INCOME
ATTRIBUTABLE TO LHC GROUP, INC. PER DILUTED SHARE

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|---------|---------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income attributable to LHC Group, Inc.'s common stockholders | \$ 0.55 | \$ 0.63 | \$ 0.89 | \$ 1.16 |
| Add (net of tax): | | | | |
| AFAM merger/acquisition expenses ⁽²⁾ | 0.19 | — | 0.50 | — |
| Closures/relocations ⁽³⁾ | 0.08 | — | 0.11 | — |
| Income tax effect of adjustments to income ⁽⁴⁾ | 0.02 | — | 0.02 | — |
| Adjusted net income attributable to LHC Group, Inc.'s common stockholders | \$ 0.84 | \$ 0.63 | \$ 1.52 | \$ 1.16 |

(1) All amounts previously classified as provision for bad debts are now classified as implicit price concessions in determining the transaction price of the Company's net service revenue.

(2) Transaction expenses and transition costs associated with the merger between LHC Group and Almost Family (\$8.4 million pre-tax).

(3) Expenses associated with the closure, relocation or consolidation of four home health agencies and two long-term acute care hospitals. Costs include \$1.5 million for intangibles impairment and lease termination charges (\$3.5 million pre-tax).

(4) Effective tax rate increased to 29.9% due to certain deal and transaction costs that are not deductible related to the merger. We continue to anticipate a normalized effective tax rate of 28% to 29% and have used that rate in the presentation of adjusted net income attributable to LHC Group and adjusted net income attributable

to LHC Group per diluted share.

We have included certain financial measures in this press release, including adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share, which are “non-GAAP financial measures” as defined under the rules and regulations promulgated by the SEC. We define adjusted net income attributable to LHC Group as net income attributable to LHC Group adjusted for the AFAM merger/acquisition and other closure costs. We define adjusted net income attributable to LHC Group per diluted share as net income attributable to LHC Group adjusted for the AFAM merger/acquisition and other closure costs divided by weighted average diluted shares outstanding.

Adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share are supplemental measures of our performance and are not required by, or presented in accordance with, generally accepted accounting principles in the United States (“GAAP”). Adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share are not measures of our financial performance under GAAP and should not be considered as alternatives to net income attributable to LHC Group, net income attributable to LHC Group per diluted share or any other performance measures derived in accordance with GAAP. Our measurements of adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share may not be comparable to similarly titled measures of other companies. We have included information concerning adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share in this press release because we believe that such information is used by certain investors as measures of a company’s historical performance. We believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of issuers of equity securities, many of which present adjusted net income and adjusted net income per diluted share when reporting their results. Our presentation of adjusted net income attributable to LHC Group and adjusted net income attributable to LHC Group per diluted share should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

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