

SELECT MEDICAL HOLDINGS CORP  
Form 10-Q  
April 30, 2015  
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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 March 31, 2015

- 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 34465 and 001 31441

**SELECT MEDICAL HOLDINGS CORPORATION**

**SELECT MEDICAL CORPORATION**

(Exact name of Registrant as specified in its charter)

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**Delaware**

**20-1764048**

**Delaware**

**23-2872718**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. employer identification  
number)

**4714 Gettysburg Road, P.O. Box 2034, Mechanicsburg, Pennsylvania 17055**

(Address of principal executive offices and zip code)

**(717) 972-1100**

(Registrants telephone number, including area code)

Indicate by check mark whether the Registrants (1) have 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 periods as such Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the Registrants have 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 Registrants were required to submit and post such files).

YES  NO

Indicate by check mark whether the registrant, Select Medical Holdings Corporation, 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. (Check one):

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, Select Medical Corporation, 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. (Check one):

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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 Registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

As of March 31, 2015, Select Medical Holdings Corporation had outstanding 131,087,980 shares of common stock.

This Form 10-Q is a combined quarterly report being filed separately by two Registrants: Select Medical Holdings Corporation and Select Medical Corporation. Unless the context indicates otherwise, any reference in this report to Holdings refers to Select Medical Holdings Corporation and any reference to Select refers to Select Medical Corporation, the wholly-owned operating subsidiary of Holdings. References to the Company, we, us and our refer collectively to Holdings and Select.

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(unaudited)

(in thousands, except share and per share amounts)

	Select Medical Holdings Corporation		Select Medical Corporation	
	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 3,354	\$ 6,588	\$ 3,354	\$ 6,588
Accounts receivable, net of allowance for doubtful accounts of \$46,425 and \$48,572 at 2014 and 2015, respectively	444,269	493,409	444,269	493,409
Current deferred tax asset	15,991	15,961	15,991	15,961
Prepaid income taxes	17,888		17,888	
Other current assets	46,142	52,093	46,142	52,093
<b>Total Current Assets</b>	<b>527,644</b>	<b>568,051</b>	<b>527,644</b>	<b>568,051</b>
Property and equipment, net	542,310	553,870	542,310	553,870
Goodwill	1,642,083	1,652,005	1,642,083	1,652,005
Other identifiable intangibles	72,519	72,640	72,519	72,640
Other assets	140,253	140,485	140,253	140,485
<b>Total Assets</b>	<b>\$ 2,924,809</b>	<b>\$ 2,987,051</b>	<b>\$ 2,924,809</b>	<b>\$ 2,987,051</b>
<b>LIABILITIES AND EQUITY</b>				
Current Liabilities:				
Bank overdrafts	\$ 21,746	\$ 18,925	\$ 21,746	\$ 18,925
Current portion of long-term debt and notes payable	10,874	11,060	10,874	11,060
Accounts payable	108,532	101,013	108,532	101,013
Accrued payroll	97,090	80,382	97,090	80,382
Accrued vacation	63,132	65,929	63,132	65,929
Accrued interest	10,674	21,805	10,674	21,805
Accrued other	82,376	87,073	82,376	87,073
Income taxes payable		6,776		6,776
<b>Total Current Liabilities</b>	<b>394,424</b>	<b>392,963</b>	<b>394,424</b>	<b>392,963</b>
Long-term debt, net of current portion	1,542,102	1,569,627	1,542,102	1,569,627
Non-current deferred tax liability	109,203	106,702	109,203	106,702
Other non-current liabilities	92,855	98,245	92,855	98,245
<b>Total Liabilities</b>	<b>2,138,584</b>	<b>2,167,537</b>	<b>2,138,584</b>	<b>2,167,537</b>

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Commitments and contingencies (Note 8)

Redeemable non-controlling interests	10,985	11,275	10,985	11,275
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Stockholders' Equity:

Common stock of Holdings, \$0.001 par value, 700,000,000 shares authorized, 131,233,308 shares and 131,087,980 shares issued and outstanding at 2014 and 2015, respectively	131	131		
Common stock of Select, \$0.01 par value, 100 shares issued and outstanding			0	0
Capital in excess of par	413,706	418,288	885,407	889,989
Retained earnings (accumulated deficit)	325,678	347,303	(145,892)	(124,267)
Total Select Medical Holdings Corporation and Select Medical Corporation Stockholders' Equity	739,515	765,722	739,515	765,722
Non-controlling interest	35,725	42,517	35,725	42,517
Total Equity	775,240	808,239	775,240	808,239
<b>Total Liabilities and Equity</b>	\$ 2,924,809	\$ 2,987,051	\$ 2,924,809	\$ 2,987,051

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

Table of Contents**Condensed Consolidated Statements of Operations**

(unaudited)

(in thousands, except per share amounts)

	Select Medical Holdings Corporation For the Three Months Ended March 31,		Select Medical Corporation For the Three Months Ended March 31,	
	2014	2015	2014	2015
Net operating revenues	\$ 762,578	\$ 795,343	\$ 762,578	\$ 795,343
Costs and expenses:				
Cost of services	638,764	664,385	638,764	664,385
General and administrative	18,123	21,675	18,123	21,675
Bad debt expense	11,018	12,670	11,018	12,670
Depreciation and amortization	16,229	17,348	16,229	17,348
Total costs and expenses	684,134	716,078	684,134	716,078
Income from operations	78,444	79,265	78,444	79,265
Other income and expense:				
Loss on early retirement of debt	(2,277)		(2,277)	
Equity in earnings of unconsolidated subsidiaries	908	2,592	908	2,592
Interest expense	(20,616)	(21,388)	(20,616)	(21,388)
Income before income taxes	56,459	60,469	56,459	60,469
Income tax expense	22,092	23,184	22,092	23,184
Net income	34,367	37,285	34,367	37,285
Less: Net income attributable to non-controlling interests	1,323	2,222	1,323	2,222
Net income attributable to Select Medical Holdings Corporation and Select Medical Corporation	\$ 33,044	\$ 35,063	\$ 33,044	\$ 35,063