

TRIAD HOSPITALS INC  
Form 10-Q  
November 08, 2004

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 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 September 30, 2004

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 0-29816

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**Triad Hospitals, Inc.**

(Exact name of registrant as specified in its charter)

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

**75-2816101**  
(I.R.S. Employer  
Identification No.)

**5800 Tennyson Parkway**

**Plano, Texas**  
(Address of principal executive offices)

**75024**  
(Zip Code)

**(214) 473-7000**

(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 Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant is an accelerated filer (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 of the latest practical date.

As of October 29, 2004, the number of shares of common stock of Triad Hospitals, Inc. outstanding was 76,978,976.

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**Part I: Financial Information****Item 1: Financial Statements****TRIAD HOSPITALS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the periods ended September 30, 2004 and 2003****Unaudited****(Dollars in millions, except per share amounts)**

	<b>For the three</b>		<b>For the nine</b>	
	<b>months ended</b>		<b>months ended</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Revenues	\$ 1,112.4	\$ 925.3	\$ 3,310.7	\$ 2,717.8
Salaries and benefits	447.5	375.1	1,333.4	1,111.9
Reimbursable expenses	12.4	12.4	38.8	39.3
Supplies	185.9	145.8	540.9	420.7
Other operating expenses	209.9	175.3	612.9	509.9
Provision for doubtful accounts	121.2	128.8	349.9	273.2
Depreciation	45.6	39.4	132.9	117.5
Amortization	1.6	1.4	4.7	4.4
Interest expense	27.0	33.1	87.9	99.7
Interest income	(0.6)	(0.9)	(1.7)	(2.0)
Refinancing transaction costs			76.0	
ESOP expense	2.6	2.1	7.6	6.2
(Gain) loss on sales of assets	0.1	0.2	(0.2)	(1.0)
<b>Total operating expenses</b>	<b>1,053.2</b>	<b>912.7</b>	<b>3,183.1</b>	<b>2,579.8</b>
Income from continuing operations before minority interests, equity in earnings and income tax provision	59.2	12.6	127.6	138.0
Minority interests in (earnings) losses of consolidated entities	1.2	(1.9)	(4.2)	(5.9)
Equity in earnings of affiliates	7.2	7.6	17.4	22.9
Income from continuing operations before income tax provision	67.6	18.3	140.8	155.0
Income tax provision	(24.2)	(7.7)	(53.5)	(61.6)
Income from continuing operations	43.4	10.6	87.3	93.4
Income (loss) from discontinued operations, net of tax	5.8	(0.2)	54.5	2.3
<b>Net income</b>	<b>\$ 49.2</b>	<b>\$ 10.4</b>	<b>\$ 141.8</b>	<b>\$ 95.7</b>
Income per common share:				

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Basic:				
Continuing operations	\$ 0.57	\$ 0.14	\$ 1.16	\$ 1.27
Discontinued operations	\$ 0.08	\$	\$ 0.73	\$ 0.03
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net	\$ 0.65	\$ 0.14	\$ 1.89	\$ 1.30
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Diluted:				
Continuing operations	\$ 0.56	\$ 0.14	\$ 1.14	\$ 1.24
Discontinued operations	\$ 0.08	\$	\$ 0.72	\$ 0.03
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net	\$ 0.64	\$ 0.14	\$ 1.86	\$ 1.27
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See notes to the condensed consolidated financial statements.

## TRIAD HOSPITALS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in millions)

	September 30,	December 31,
	2004	2003
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 88.9	\$ 14.5
Accounts receivable, less allowances for doubtful accounts of \$329.5 at September 30, 2004 and \$257.3 at December 31, 2003	618.0	606.0
Inventories	114.6	109.2
Deferred income taxes	65.9	36.5
Prepaid expenses	49.8	43.0
Discontinued operations assets		152.9
Other	79.5	60.5
	<u>1,016.7</u>	<u>1,022.6</u>
Property and equipment, at cost:		
Land	168.3	169.0
Buildings and improvements	1,445.1	1,404.6
Equipment	1,224.2	1,123.9
Construction in progress	293.4	144.7
	<u>3,131.0</u>	<u>2,842.2</u>
Accumulated depreciation	(867.4)	(747.2)
	<u>2,263.6</u>	<u>2,095.0</u>
Goodwill	1,252.3	1,231.4
Intangible assets, net of accumulated amortization	72.8	71.5
Investment in and advances to affiliates	200.3	191.1
Other	109.0	123.8
	<u>4,914.7</u>	<u>4,735.4</u>
<b>Total assets</b>	<b>\$ 4,914.7</b>	<b>\$ 4,735.4</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 134.2	\$ 151.4
Accrued salaries	124.0	121.5
Current portion of long-term debt	80.4	73.7
Discontinued operations liabilities		17.9
Other current liabilities	178.7	145.6
	<u>517.3</u>	<u>510.1</u>
Long-term debt	1,606.4	1,684.4
Other liabilities	129.6	118.1
Deferred taxes	216.5	174.7
Minority interests in equity of consolidated entities	185.6	171.8

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Stockholders' equity:

Common stock \$0.01 par value: 120,000,000 shares authorized, 76,881,218 and 75,633,354 shares issued and outstanding at September 30, 2004 and December 31, 2003, respectively	0.8	0.8
Additional paid-in capital	1,941.9	1,904.6
Unearned ESOP compensation	(14.7)	(17.2)
Accumulated other comprehensive loss	(0.7)	(2.1)
Accumulated earnings	332.0	190.2
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Total stockholders' equity	2,259.3	2,076.3
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Total liabilities and stockholders' equity	\$ 4,914.7	\$ 4,735.4
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See notes to the condensed consolidated financial statements.

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**TRIAD HOSPITALS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the periods ended September 30, 2004 and 2003

Unaudited

(Dollars in millions)

	For the nine months ended	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 141.8	\$ 95.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax	(54.5)	(2.3)
Provision for doubtful accounts	349.9	273.2
Depreciation and amortization	137.6	121.9
ESOP expense	7.6	6.2
Minority interests	4.2	5.9
Equity in earnings of affiliates	(17.4)	(22.9)
Gain on sales of assets	(0.2)	(1.0)
Deferred income tax provision (benefit)	(7.0)	52.1
Non-cash interest expense	5.5	6.0
Refinancing transaction costs	76.0	
Non-cash stock option expense	0.9	0.3
Increase (decrease) in cash from operating assets and liabilities:		
Accounts receivable	(360.4)	(286.0)
Inventories and other assets	(27.5)	(17.2)
Accounts payable and other current liabilities	11.8	27.4
Other	13.4	33.6
Net cash provided by operating activities	281.7	292.9
Cash flows from investing activities:		&nbs