

RadNet, Inc.
Form 10-Q
August 09, 2016

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 June 30, 2016

**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 001-33307

RadNet, Inc.

(Exact name of registrant as specified in charter)

Delaware	13-3326724
(State or other jurisdiction of	(I.R.S. Employer
Incorporation or organization)	Identification No.)

1510 Cotner Avenue

RADNET, INC.

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PART I - FINANCIAL INFORMATION**ITEM 1. Condensed Consolidated Financial Statements (unaudited)****RADNET, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)**

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 433	\$ 446
Accounts receivable, net	165,086	162,843
Current portion of deferred tax assets	22,279	22,279
Due from affiliates	4,273	4,815
Prepaid expenses and other current assets	30,510	38,986
Total current assets	222,581	229,369
PROPERTY AND EQUIPMENT, NET	250,426	256,722
OTHER ASSETS		
Goodwill	240,520	239,408
Other intangible assets	44,032	45,253
Deferred financing costs	2,012	2,841
Investment in joint ventures	39,483	33,584
Deferred tax assets, net of current portion	24,352	24,685
Deposits and other	4,935	4,565
Total assets	\$ 828,341	\$ 836,427
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable, accrued expenses and other	\$ 108,076	\$ 113,813
Due to affiliates	8,545	6,564
Deferred revenue	1,598	1,598
Current portion of notes payable	21,609	22,383
Current portion of deferred rent	2,551	2,563
Current portion of obligations under capital leases	7,713	10,038
Total current liabilities	150,092	156,959
LONG-TERM LIABILITIES		

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Deferred rent, net of current portion	27,929	26,865
Line of credit	13,800	–
Notes payable, net of current portion	589,177	599,914
Obligations under capital lease, net of current portion	4,710	6,385
Other non-current liabilities	5,667	9,843
Total liabilities	791,375	799,966
EQUITY		
RadNet, Inc. stockholders' equity:		
Common stock - \$.0001 par value, 200,000,000 shares authorized; 46,432,404 and 46,281,189 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	4	4
Additional paid-in-capital	196,026	197,297
Accumulated other comprehensive loss	(169)	(153)
Accumulated deficit	(162,669)	(164,571)
Total RadNet, Inc.'s stockholders' equity	33,192	32,577
Noncontrolling interests	3,774	3,884
Total equity	36,966	36,461
Total liabilities and equity	\$ 828,341	\$ 836,427

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

RADNET, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(IN THOUSANDS EXCEPT SHARE DATA)****(unaudited)**

	Three Months Ended		Six Months Ended	
	June 30,	2015	June 30,	2015
	2016		2016	
NET REVENUE				
Service fee revenue, net of contractual allowances and discounts	\$203,759	\$188,403	\$404,601	\$353,433
Provision for bad debts	(12,326)	(8,387)	(22,630)	(15,862)
Net service fee revenue	191,433	180,016	381,971	337,571
Revenue under capitation arrangements	27,132	24,273	52,982	47,985
Total net revenue	218,565	204,289	434,953	385,556
OPERATING EXPENSES				
Cost of operations, excluding depreciation and amortization	194,062	175,796	390,888	344,717
Depreciation and amortization	15,811	14,941	32,223	29,235
Loss on sale and disposal of equipment	441	74	441	36
Severance costs	173	94	340	130
Total operating expenses	210,487	190,905	423,892	374,118
INCOME FROM OPERATIONS	8,078	13,384	11,061	11,438
OTHER INCOME AND EXPENSES				
Interest expense	10,745	10,423	21,426	20,419
Meaningful use incentive	—	—	(2,808)	(3,270)
Equity in earnings of joint ventures	(3,274)	(3,207)	(5,553)	(4,309)
Gain from return of common stock	(5,032)	—	(5,032)	—
Other expenses	4	413	6	410
Total other expenses	2,443	7,629	8,039	13,250
INCOME (LOSS) BEFORE INCOME TAXES	5,635	5,755	3,022	(1,812)
(Provision for) benefit from income taxes	(2,253)	(2,192)	(1,073)	899
NET INCOME (LOSS)	3,382	3,563	1,949	(913)
Net (loss) income attributable to noncontrolling interests	(243)	168	47	246
NET INCOME (LOSS) ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	\$3,625	\$3,395	\$1,902	\$(1,159)
BASIC NET INCOME (LOSS) PER SHARE				
ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	\$0.08	\$0.08	\$0.04	\$(0.03)

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DILUTED NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	\$0.08	\$0.08	\$0.04	\$(0.03)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	46,558,944	43,370,024	46,576,631	43,059,686
Diluted	46,882,383	44,685,599	46,960,226	43,059,686

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

RADNET, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(IN THOUSANDS)

(unaudited)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
NET INCOME (LOSS)	\$3,382	\$3,563	\$1,949	\$(913)
Foreign currency translation adjustments	(20)	(4)	(16)	(41)
COMPREHENSIVE INCOME (LOSS)	3,362	3,559	1,933	(954)
Less comprehensive (loss) income attributable to non-controlling interests	(243)	168	47	246
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	\$3,605	\$3,391	\$1,886	\$(1,200)

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

RADNET, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF EQUITY****(IN THOUSANDS EXCEPT SHARE DATA)****(unaudited)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Accumulated Radnet, Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
BALANCE - JANUARY 1, 2016	46,281,189	\$ 4	\$ 197,297	\$(164,571)	\$(153)	\$ 32,577	\$ 3,884	\$ 36,461
Issuance of common stock upon exercise of options/warrants	314,448	—	150	—	—	150	—	150
Stock-based compensation	—	—	3,611	—	—	3,611	—	3,611
Issuance of restricted stock and other awards	795,303	—	—	—	—	—	—	—
Return of common stock	(958,536)	—	(5,032)	—	—	(5,032)	—	(5,032)
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(157)	(157)
Change in cumulative foreign currency translation adjustment	—	—	—	—	(16)	(16)	—	(16)
Net income	—	—	—	1,902	—	1,902	47	1,949
BALANCE - JUNE 30, 2016	46,432,404	\$ 4	\$ 196,026	\$(162,669)	\$(169)	\$ 33,192	\$	