

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

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### FILER

#### Virtual Radiologic CORP

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SIC: **8090** Misc health & allied services, nec

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#### Business Address

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**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): January 26, 2009

**Virtual Radiologic Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**001-33815**

(Commission File Number)

**27-0074530**

(IRS Employer Identification No.)

**5995 Opus Parkway, Suite 200, Minnetonka, Minnesota, 55343**

(Address of principal executive offices, Zip Code)

**(952) 392-1100**

Registrant's telephone number, including area code

**Not applicable**

(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 (see General Instruction A.2. below):

- 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))
- 

**Item 2.02. Results of Operations and Financial Condition.**

On January 26, 2009, Virtual Radiologic Corporation (the "Company") issued a press release announcing its financial results for the fourth quarter and full year ended December 31, 2008. A copy of the press release is furnished as Exhibit 99.1 and is incorporated herein by reference.

The information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

## Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<b>Exhibit Number</b>	<b>Description</b>
99.1	Press Release dated January 26, 2009.

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## SIGNATURES

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

Dated: January 26, 2009

**Virtual Radiologic Corporation**

/s/ LEONARD C. PURKIS  
By: Leonard C. Purkis  
*Chief Financial Officer*

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## Exhibit Index

99.1 Press release dated January 26, 2009

## Virtual Radiologic Corp. Announces Fourth Quarter and Full-Year 2008 Financial Results

### Reports Fourth Quarter Revenue of \$28.3 Million, Volume Growth of 30 Percent

MINNEAPOLIS, Jan. 26, 2009 (GLOBE NEWSWIRE) -- Virtual Radiologic Corp. (Nasdaq:VRAD), a leading global provider of teleradiology services, today reported financial results for its fourth quarter and full year ended December 31, 2008.

#### Fourth Quarter Highlights

- Revenue up 23% to \$28.3 million
- Read volume up 30% to 591,000
- Adjusted EBITDA(1) up 24% to \$5.0 million and 18% of revenue
- Adjusted net income(2) of \$2.0 million; Adjusted diluted earnings per share(3) (EPS) of \$0.12
- GAAP net income of \$890,000; GAAP diluted EPS of \$0.05
- Cash and investments totaled \$29.3 million; the Company has no debt
- Shares repurchased totaled \$6.1 million to complete the \$8.0 million share repurchase program

#### Full Year Highlights

- Revenue up 24% to \$106.6 million
- Read volume up 30% to 2.2 million
- Adjusted EBITDA up 28% to \$20.5 million and 19% of revenue
- Adjusted net income of \$9.7 million; Adjusted diluted EPS of \$0.57
- GAAP net income of \$8.5 million; GAAP diluted EPS of \$0.50
- Company repurchased a total of 944,760 shares to complete the \$8.0 million share repurchase program

"We are very pleased to end the year with strong fourth quarter results," said Rob Kill, Virtual Radiologic's chief executive officer. "2008 was filled with significant milestones in our first year as a public company. We successfully integrated our first acquisition, launched our software as a service technology offering, closed our first three international deals, and deepened our penetration of the final read market. Our outlook for 2009 reflects the confidence we have in our ability to continue profitable growth and create shareholder value, balanced by a cautious approach as we acknowledge the uncertainties that face us and our customers as we enter the year."

#### Fourth Quarter and Full Year Results

Total revenue increased 23% to \$28.3 million and 24% to \$106.6 million for the three and twelve months ended December 31, 2008, respectively, compared to \$22.9 million and \$86.2 million for the three and twelve months ended December 31, 2007, respectively. The increase in revenue over the fourth quarter and full year of 2007 resulted primarily from a 28% increase in the number of hospitals and medical facilities served to 1,026 as of December 31, 2008, which represents approximately 17% of all hospitals in the United States.

Adjusted EBITDA increased 24% to \$5.0 million and 28% to \$20.5 million for the three and twelve months ended December 31, 2008, respectively, compared to \$4.0 million and \$16.1 million for the three and twelve months ended December 31, 2007, respectively. This increase resulted primarily from the growth in total revenue along with a decrease in professional services expense as a percentage of revenue, and was partially offset by a corresponding increase in sales, general and administrative expenses.

Adjusted net income was \$2.0 million and \$9.7 million for the three and twelve months ended December 31, 2008, respectively, compared to \$1.6 million and \$7.9 million for the three and twelve months ended December 31, 2007, respectively. This resulted in Adjusted diluted EPS of \$0.12 and \$0.57 for the three and twelve months ended December 31, 2008, respectively, and \$0.09 and \$0.46 for the three and twelve months ended December 31, 2007, respectively.

GAAP net income available to common stockholders was \$890,000 and \$8.5 million for the three and twelve months ended December 31, 2008, respectively. This resulted in diluted EPS of \$0.05 and \$0.50, respectively. Included in the fourth quarter and full year 2008 GAAP net income available to common stockholders is a \$587,000 charge, net of tax, for medical malpractice loss reserves related to the previously announced formation of the Company's captive insurance subsidiary. This compares to \$16.2 and \$(20.3) million in GAAP net income (loss) available to common stockholders for the three and twelve months ended December 31, 2007, respectively. This resulted in \$0.08 and \$(2.31) in diluted earnings (loss) per share for the three and twelve months ended December 31, 2007, respectively. For purposes of calculating diluted earnings per share for the three months ended December 31, 2007, preferred stock decrement of \$14.9 million is excluded from GAAP net income available to common stockholders as the preferred stock is assumed to be converted.

## 2009 Guidance

The Company is providing the following guidance for the full year of 2009:

- Revenue ranging from \$113.0 million to \$117.0 million
- Adjusted EBITDA ranging from \$22.0 million to \$23.0 million
- Adjusted net income ranging from \$9.4 million to \$10.0 million
- Adjusted diluted earnings per share ranging from \$0.58 to \$0.61

## Conference Call Information

The Company will be hosting a conference call January 26, 2008 at 4:30 p.m. Eastern Time to discuss these results and provide a general business update. Participants can access the call by dialing (888) 500-6951 (within the United States and Canada), or (719) 325-2492 (outside the United States and Canada). A live webcast of the conference call will be available on the Company's corporate web site at <http://ir.virtualrad.com> under "Events and Presentations." A replay of the call will be available from 7:30 p.m. Eastern Time on Monday, January 26, through midnight on Thursday, February 26, 2008. To access the replay, dial (888) 203-1112, or (719) 457-0820 and use passcode 6122004.

## About Virtual Radiologic

Virtual Radiologic Corporation (<http://www.virtualrad.com>) provides teleradiology solutions to radiology practices and medical centers throughout the United States and internationally. Utilizing market-leading, proprietary workflow technology, Virtual Radiologic's predominantly U.S.-based physicians perform preliminary and final read interpretations for emergent and non-emergent needs -- day or night, 365 days a year. Virtual Radiologic's American Board of Radiology-certified radiologists are collectively licensed in all 50 states. Virtual Radiologic is Joint Commission-certified and serves over 620 clients supporting more than 1,025 medical facilities.

## Safe Harbor for Forward-Looking and Cautionary Statements

Certain statements in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, in particular, statements about our plans, objectives, strategies and prospects regarding, among other things, our business and results of operations. These statements involve a number of risks, uncertainties and other factors that could cause actual results, performance or achievements of Virtual Radiologic Corporation to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. For examples of such risks and uncertainties, please see our Annual Report on form 10-K, as well as our other filings with the Securities and Exchange Commission. Statements that are not historical facts in this press release are forward-looking statements that involve certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. Except as required by applicable law, Virtual Radiologic Corporation undertakes no duty to update these forward-looking statements due to new information or as a result of future events.

## Notes Regarding the Use of Non-GAAP Financial Measures

The Company records its results of operations in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In addition, the Company is providing certain supplemental non-GAAP information which the Company believes to be an important indicator of its financial performance. These financial measures are not financial measures under GAAP and the Company's calculation of these non-GAAP financial measures may not be comparable to the calculation of similarly titled measures reported by other companies. The Company uses the following non-GAAP financial measures:

- Adjusted EBITDA - operating income excluding the effects of depreciation and amortization, non-cash stock-based compensation expense and medical malpractice loss reserves (other than specific case reserves);
- Adjusted net income - net income available to common stockholders excluding the effects of non-controlling interest, non-cash stock-based compensation, net of tax, medical malpractice loss reserves (other than specific case reserves), net of tax, non-recurring financing charges, preferred cash dividends paid and Series A Cumulative Redeemable Convertible Preferred Stock accretion;
- Adjusted diluted earnings per share - Adjusted net income divided by Pro-forma diluted shares outstanding; and
- Pro-forma diluted shares outstanding - weighted average diluted shares outstanding plus weighted average Series A Preferred Stock outstanding, common share equivalents and the additional weighted average common shares that would have been outstanding had the Company's initial public offering been completed as of the beginning of the applicable reporting period.

The Company presents these non-GAAP financial measures because it believes that they are a useful indicator of its performance and on-going operations. The Company's management also uses these non-GAAP financial measures in order to review and assess its operating performance and its management team in connection with certain incentive programs and the preparation of its financial projections. In addition, the Company believes that these non-GAAP financial measures are useful to investors because such measures are frequently used by securities analysts to measure a company's operating performance without regard to certain items, such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company.

Adjusted EBITDA, Adjusted net income, Adjusted diluted earnings per share and Pro-forma diluted shares outstanding are not measurements of the Company's financial performance under GAAP and should not be considered as an alternative to operating income, net income, earnings per share or any other performance measures derived in accordance with GAAP.

- (1) Adjusted EBITDA consists of operating income excluding the effects of depreciation and amortization, non-cash stock-based compensation expense and medical malpractice loss reserves (other than specific case reserves). See "Notes Regarding the Use of Non-GAAP Financial Measures" and "Supplemental Information and Non-GAAP Reconciliations" for more information related to Adjusted EBITDA.
- (2) Adjusted net income consists of net income available to common stockholders excluding the effects of non-controlling interest, non-cash stock-based compensation, net of tax, medical malpractice loss reserves (other than specific case reserves), net of tax, non-recurring financing charges, preferred cash dividends paid and Series A Cumulative Redeemable Convertible Preferred Stock accretion. See "Notes Regarding the Use of Non-GAAP Financial Measures" and "Supplemental Information and Non-GAAP Reconciliations" for more information related to Adjusted net income.
- (3) Adjusted diluted earnings per share consists of Adjusted net income divided by Pro-forma diluted shares outstanding. See "Notes Regarding the Use of Non-GAAP Financial Measures" and "Supplemental Information and Non-GAAP Reconciliations" for more information related to Adjusted diluted earnings per share.

## VIRTUAL RADIOLOGIC CORPORATION

### CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

Three Months Ended  
December 31,

Year Ended  
December 31,

	2008	2007	2008	2007
Revenue	\$ 28,301	\$ 22,945	\$106,567	\$ 86,243
Operating costs and expenses				
Professional services	14,187	11,173	49,363	43,607
Sales, general and administrative	11,050	8,781	38,717	30,918
Depreciation and amortization	1,343	787	4,700	2,488
Total operating costs and expenses	26,580	20,741	92,780	77,013
Operating income	1,721	2,204	13,787	9,230
Other income (expense)				
Interest income	149	199	599	451
Interest expense	--	(1,938)	--	(2,380)
Total other income (expense)	149	(1,739)	599	(1,929)
Income before non-controlling interest and income tax	1,870	465	14,386	7,301
Non-controlling interest expense (income)	4	(2,108)	14	(17)
Income before income tax expense	1,866	2,573	14,372	7,318
Income tax expense	976	1,288	5,918	3,867
Net income	890	1,285	8,454	3,451
Cash dividends paid				
Preferred Series A Cumulative Redeemable Convertible Preferred Stock decretion (accretion)	--	--	--	(13,596)
	--	14,941	--	(10,127)



Net income (loss) available to common stockholders	\$ 890	\$ 16,226	\$ 8,454	\$ (20,272)
	=====	=====	=====	=====
Earnings (loss) per common share				
Basic	\$ 0.06	\$ 1.28	\$ 0.51	\$ (2.31)
Diluted(1)	\$ 0.05	\$ 0.08	\$ 0.50	\$ (2.31)
Weighted average common shares outstanding				
Basic	15,938	12,695	16,500	8,762
Diluted	16,256	15,396	16,976	8,762

(1) Diluted earnings per share for the three months ended December 31, 2007 excludes the impact of Series A Cumulative Redeemable Convertible Preferred Stock decretion because the Series A Cumulative Redeemable Convertible Preferred Stock is assumed converted.

#### SUPPLEMENTAL NON-GAAP FINANCIAL MEASURES

(Unaudited)

(in thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
	-----	-----	-----	-----
Adjusted				
EBITDA(1)	\$ 4,983	\$ 4,028	\$ 20,549	\$ 16,091
Adjusted net income(1)	\$ 2,023	\$ 1,601	\$ 9,681	\$ 7,861
Adjusted diluted				
earnings per share(1)	\$ 0.12	\$ 0.09	\$ 0.57	\$ 0.46
Pro-forma diluted				
shares outstanding(1)	16,256	17,396	16,976	17,180

(1) See "Notes Regarding the Use of Non-GAAP Financial Measures" and "Supplemental Information and Non-GAAP Reconciliations" for more information related to the non-GAAP financial measures presented in this table.

VIRTUAL RADIOLOGIC CORPORATION

SUPPLEMENTAL INFORMATION AND NON-GAAP RECONCILIATIONS

(Unaudited)

(in thousands, except per share data)

The following table reconciles the GAAP financial measure of Operating income to the non-GAAP supplemental financial measure of Adjusted EBITDA which excludes the effects of depreciation and amortization, non-cash stock-based compensation expense and medical malpractice loss reserves (other than specific case reserves).

	Three Months Ended December 31,		Year Ended December 31,	
	----- 2008	2007 -----	----- 2008	2007 -----
Reconciliation of Operating income to Adjusted EBITDA:				
Operating income	1,721	2,204	13,787	9,230
Depreciation and amortization	1,343	787	4,700	2,488
Physician non-cash stock-based compensation	499	759	(479)	3,687
Employee non-cash stock-based compensation	423	278	1,544	686
Medical malpractice loss reserves(1)	997	--	997	--
Adjusted EBITDA	\$ 4,983 =====	\$ 4,028 =====	\$ 20,549 =====	\$ 16,091 =====

(1) Medical malpractice loss reserves exclude specific case reserves.

The following table reconciles the GAAP financial measure of Net income (loss) available to common stockholders to the non-GAAP supplemental financial measure of Adjusted net income which excludes the effects of non-controlling interest, non-cash stock-based compensation expense, net of tax, medical malpractice loss reserves (other than specific case reserves), net of tax, non-recurring financing charges, preferred cash dividends paid, and Series A Cumulative Redeemable Convertible Preferred Stock accretion, and presents the related Adjusted diluted earnings per share.

	Three Months Ended December 31,		Year Ended December 31,	
	----- 2008	2007 -----	----- 2008	2007 -----

Reconciliation of Net income (loss) available to common stockholders to Adjusted net income:				
Net income (loss) available to common stockholders	\$ 890	\$ 16,226	\$ 8,454	\$ (20,272)
Non-controlling interest expense (income)	4	(2,108)	14	(17)
Physician non-cash stock-based compensation, net of tax(1)	293	358	(282)	1,739
Employee non-cash stock-based compensation, net of tax(1)	249	130	908	323
Medical malpractice loss reserves, net of tax(2)	587	--	587	--
Non-recurring financing charges	--	1,936	--	2,365
Preferred cash dividends paid	--	--	--	13,596
Series A Cumulative Redeemable Convertible Preferred Stock (decretion) accretion	--	(14,941)	--	10,127
Adjusted net income	\$ 2,023	\$ 1,601	\$ 9,681	\$ 7,861
Adjusted diluted earnings per share	\$ 0.12	\$ 0.09	\$ 0.57	\$ 0.46
Reconciliation of Weighted average diluted shares outstanding to Pro-forma diluted shares outstanding:				
Weighted average diluted shares outstanding	16,256	15,396	16,976	8,762
Weighted average Series A Preferred Stock outstanding	--	--	--	3,150
Common share equivalents	--	--	--	1,783

Assumed issuance of weighted average common shares from initial public offering(3)	--	2,000	--	3,485
	-----	-----	-----	-----
Pro-forma diluted shares outstanding	16,256	17,396	16,976	17,180
	=====	=====	=====	=====

- (1) Assumes that the effective tax rate for the three months ended December 31, 2008 and 2007 was equal to the effective tax rate for the year ended December 31, 2008 and 2007, respectively.
- (2) Medical malpractice loss reserves exclude specific case reserves.
- (3) Assumes that the issuance of 4.0 million shares of common stock, which occurred in conjunction with the completion of the Company's initial public offering on November 14, 2007, occurred on January 1, 2007.

VIRTUAL RADIOLOGIC CORPORATION

SUPPLEMENTAL INFORMATION AND  
NON-GAAP RECONCILIATIONS - CONTINUED  
(Unaudited)  
(in millions, except per share data)

	Year Ended
	December 31, 2009
	-----
Net income available to common stockholders	\$4.9 - \$5.1
	-----
Income tax expense	3.3 - 3.4
Interest income, net	(0.4) - (0.6)
Depreciation and amortization	6.6 - 7.0
	-----
EBITDA	14.4 - 14.9
	-----
Physician non-cash stock-based compensation	0.7 - 0.8
Employee non-cash stock-based compensation	1.8 - 2.0
Medical malpractice loss reserves	5.1 - 5.3
	-----
Adjusted EBITDA	\$22.0 - \$23.0
	=====
	-----
Net income available to common stockholders	\$4.9 - \$5.1
	-----

Physician non-cash stock-based compensation, net of tax	0.4 - 0.5
Employee non-cash stock-based compensation, net of tax	1.1 - 1.2
Medical malpractice loss reserves, net of tax	3.0 - 3.2
	-----
Adjusted net income	\$9.4 - \$10.0
	=====
Net income available to common stockholders	\$0.30 - \$0.31
	-----
Physician non-cash stock-based compensation, net of tax	0.02 - 0.03
Employee non-cash stock-based compensation, net of tax	0.07 - 0.07
Medical malpractice loss reserves, net of tax	0.19 - 0.20
	-----
Adjusted diluted earnings per share	\$0.58 - \$0.61
	=====
Diluted weighted average shares outstanding(1)	16.4

(1) Diluted weighted average shares outstanding for the full year 2009 are calculated using the treasury stock method in accordance with GAAP based on forecast assumptions made by the Company.

## VIRTUAL RADIOLOGIC CORPORATION

### CONDENSED CONSOLIDATED BALANCE SHEETS AND SELECTED OPERATING DATA (Unaudited)

	As of December 31,	
	2008	2007
	-----	-----
	(in thousands)	
Cash and cash equivalents	\$19,180	\$33,487
Short-term investment	10,136	--
Accounts receivable, net	17,383	12,486
Other current assets	5,244	5,104
Non-current assets	19,476	8,359
	-----	-----
Total assets	\$71,419	\$59,436
	=====	=====

Current liabilities	\$12,924	\$ 8,870
Non-current liabilities	1,978	228
	-----	-----
Total liabilities	14,902	9,098
Non-controlling interest	22	8
Total stockholders' equity	56,495	50,330
	-----	-----
Total liabilities and stockholders' equity	\$71,419	\$59,436
	=====	=====

	As of	
	December 31,	
	-----	-----
	2008	2007
	-----	-----
Affiliated radiologists providing services	134	112
Affiliated radiologists under contract	144	132
Customers	621	469
Hospitals and other medical facilities served	1,026	804

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	-----	-----	-----	-----
	2008	2007	2008	2007
	-----	-----	-----	-----
Total reads	591,091	453,280	2,200,365	1,691,859
Percentage growth over prior year period	30%	47%	30%	64%
Same site volume growth(1)a	2%	21%	6%	18%
Percentage of read revenue from final reads	27%	23%	24%	24%

(1) Same-site volume growth is calculated as the percentage increase in the number of reads over the comparable prior year period generated by a facility that has been under contract for at least three months at the beginning of the measurement period and remains a customer throughout that period.

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