

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-12** | Period of Report: **1993-11-30**
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FILER

MANOR CARE INC/NEW

CIK: **354604** | IRS No.: **521200376** | State of Incorpor.: **DE** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **001-08195** | Film No.: **94501069**
SIC: **8051** Skilled nursing care facilities

Business Address
10750 COLUMBIA PIKE
SILVER SPRING MD 20901
3016819400

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D. C. 20549

- (X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934
 For the quarterly period ended November 30, 1993
- () TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934
 For the transition period from _____ to _____

MANOR CARE, INC.

COMMISSION FILE NUMBER 1-8195

Incorporated in Delaware

E.I.#52-1200376

10750 Columbia Pike, Silver Spring, Maryland 20901

Telephone: (301) 681-9400

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 twelve months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

62,285,442 Common Shares were outstanding as of January 12, 1994.

This report contains 11 pages.

PART I. FINANCIAL INFORMATION

FINANCIAL STATEMENTS

MANOR CARE, INC. AND SUBSIDIARIES

The consolidated balance sheet as of November 30, 1993, the consolidated statements of income for the three and six month periods ended November 30, 1993 and 1992, and the consolidated statements of cash flows for the six months ended November 30, 1993 and 1992, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows at November 30, 1993 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's May 31, 1993 annual report to shareholders, previously filed with the Commission. The results of operations for the three and six month periods ended November 30, 1993 and 1992, and cash flows for the six months ended November 30, 1993 and 1992, are not necessarily indicative of the operating results or cash flows for the full year.

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MANOR CARE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE>
<CAPTION>

	November 30, 1993	May 31, 1993
	(Unaudited)	(Note)
	<C>	<C>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 70,715	\$ 80,844
Receivables (net of allowances of \$20,562 and \$16,501)	68,618	82,820
Inventories	13,536	13,489
Current deferred income tax benefit	6,381	6,381
Prepaid expenses	25,978	9,374
Other current assets	1,557	1,351
	-----	-----
Total current assets	186,785	194,259
	-----	-----
Property and equipment, at cost		
Land	85,526	80,944
Buildings and improvements	769,917	749,261
Capitalized leases	18,991	18,991
Furniture, fixtures and equipment	182,398	168,321
Facilities in progress	13,541	11,762
	-----	-----
	1,070,373	1,029,279
Less accumulated depreciation	(299,778)	(275,533)

Net property and equipment	770,595	753,746
Lodging franchise rights	65,898	67,343
Other assets	87,994	91,158
	\$1,111,272	\$1,106,506

</TABLE>

NOTE: The balance sheet at May 31, 1993 has been taken from the audited financial statements at that date.

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MANOR CARE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE>
<CAPTION>

	November 30, 1993	May 31, 1993
	(Unaudited)	(Note)
	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 5,915	\$ 45,338
Accounts payable	41,968	44,504
Accrued expenses	85,193	85,377
Income taxes	13,690	5,254
Total current liabilities	146,766	180,473
Mortgage and other long-term debt	120,567	124,838
Subordinated long-term debt	157,510	255,600
Deferred Income Taxes and other	189,489	183,601
Stockholders' Equity		
Capital stock	6,532	6,047
Contributed capital	165,197	68,471
Retained earnings	366,903	329,532
Cumulative translation adjustments	789	352

Treasury stock, at cost	(42,481)	(42,408)
	-----	-----
Total stockholders' equity	496,940	361,994
	-----	-----
	\$1,111,272	\$1,106,506
	=====	=====

</TABLE>

NOTE: The balance sheet at May 31, 1993 has been taken from the audited financial statements at that date.

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MANOR CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per-share data)

<TABLE>
<CAPTION>

	Three Months Ended November 30,		Six Months Ended November 30,	
	1993	1992	1993	1992
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues				
Healthcare, net	\$ 224,102	\$ 205,952	\$ 445,375	\$ 401,375
Lodging	60,523	47,728	123,878	97,732
	-----	-----	-----	-----
Total revenues	284,625	253,680	569,253	499,107
	-----	-----	-----	-----
Expenses				
Healthcare	170,036	156,127	338,177	305,109
Lodging	40,788	32,620	86,487	66,981
Depreciation & amortization	16,229	14,861	32,430	29,609
General corporate	15,989	14,080	31,544	26,946
	-----	-----	-----	-----
Total expenses	243,042	217,688	488,638	428,645
	-----	-----	-----	-----
Income from operations	41,583	35,992	80,615	70,462
	-----	-----	-----	-----
Other income (expenses)				
Interest income and other	532	1,117	1,062	1,434
Gain on sale of property	-	-	7,978	-
Interest expense	(8,274)	(8,933)	(17,252)	(17,862)
	-----	-----	-----	-----
Total other (expenses), net	(7,742)	(7,816)	(8,212)	(16,428)
	-----	-----	-----	-----

Income before income taxes	33,841	28,176	72,403	54,034
Income taxes	13,600	10,900	32,400	20,800
Net income	\$ 20,241	\$ 17,276	\$ 40,003	\$ 33,234
Average shares outstanding	59,602	57,409	58,578	57,389
Net income per share of common stock	\$.34	\$.30	\$.68	\$.58
Dividends per share of common stock	\$.022	\$.022	\$.044	\$.044

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MANOR CARE, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

<TABLE>
<CAPTION>

	Six Months Ended November 30,	
	1993	1992
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 40,003	\$ 33,234
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	32,430	29,609
Amortization of debt discount	1,172	487
Provision for bad debts	5,942	4,307
Increase in deferred taxes	5,823	1,935
Gain on sale of facilities	(7,978)	-
Changes in assets and liabilities (excluding sold facilities):		
Change in accounts receivable	9,394	(9,618)
Change in inventory and other current assets	(16,361)	(15,040)
Change in accounts payable and accrued expenses	(2,356)	(9,557)
Change in income taxes payable	8,436	4,216
Change in other liabilities	(591)	1,877
NET CASH PROVIDED BY OPERATING ACTIVITIES	75,914	41,450
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in property and equipment	(33,641)	(47,490)

Acquisition of operating pharmacies	(4,846)	(3,492)
Acquisition of operating hotels	(16,367)	(5,409)
Proceeds from sale of facilities	15,630	-
Other items, net	2,773	3,910
	-----	-----
NET CASH UTILIZED BY INVESTING ACTIVITIES	(36,451)	(52,481)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of ten year notes	-	150,000
Principal payments of debt	(47,488)	(43,351)
Proceeds from exercise of stock options	422	931
Purchases of common stock for treasury	-	(145)
Dividends paid	(2,526)	(2,520)
	-----	-----
NET CASH UTILIZED BY FINANCING ACTIVITIES	(49,592)	104,915
	-----	-----
CHANGE IN CASH AND CASH EQUIVALENTS	(10,129)	93,884
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	80,844	83,101
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 70,715	\$176,985
	=====	=====

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MANOR CARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 1993
(unaudited)

Long-Term Debt

During the six months ended November 30, 1993, the Company repaid approximately \$47 million of debt. Included in this amount was approximately \$3 million due to the Company's redemption of the \$99 million of 6 3/8% Convertible Subordinated Debentures due 2011 on October 25, 1993. The remaining \$96 million were converted, at the election of the bondholders, into common stock at a conversion price per share of \$20.31. Pursuant to these conversions, 4,743,522 shares of stock were issued.

During the six months ended November 30, 1992, the Company repaid \$42 million of debt. Most of the debt repaid was bank lines of credit. On November 20, 1992 the Company issued \$150 million of 9 1/2% Senior Subordinated Notes due 2002. Most of the proceeds of this offering was used to redeem in January 1993 the \$125 million of 11 3/8% Senior Subordinated Notes due 1998.

Acquisitions, Divestitures and Sales of Property

In August 1992, the Company's 82% owned institutional pharmacy subsidiary, Vitalink Pharmacy Services, Inc., purchased a pharmacy located in Baltimore, Maryland, servicing 2,600 institutional beds for approximately \$3.5 million. In December 1992, Vitalink also purchased a pharmacy business in New Jersey, servicing over 9,000 institutional beds, for approximately \$25 million. In August 1993, a pharmacy business in Oregon was purchased for approximately \$5.0 million.

In April, 1993 two nursing facilities were sold for \$5.2 million. The realized gain from this sale was immaterial. In July 1993, three nursing facilities were sold for \$15.6 million with a pre-tax gain of approximately \$8.0 million.

During fiscal year 1993, the Company purchased seven operating hotels containing a total of 1,306 rooms for approximately \$25 million. In the first six months of fiscal 1994, five hotels were purchased containing a total of 784 rooms for approximately \$16 million.

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MANOR CARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Available cash balances of \$71 million and unused lines of credit of \$142 million are considered adequate to ensure sufficient liquidity and capital resources for the foreseeable future. In addition, the Company has filed a shelf registration statement for the potential offer of up to \$150 million in senior notes.

Results of Operations

Net income for the three months ended November 30, 1993 was \$20.2 million, or \$.34 per share, compared to \$17.3 million, or \$.30 per share, last year. Net income for the six months ended November 30, 1993 was \$40.0 million, or \$.68 per share, compared to \$33.2 million, or \$.58 per share, last year. Income from operations for the three and six month periods ended November 30, 1993 were \$41.6 million and \$80.6 million, respectively. This compares to income from operations in the same periods last year of \$36.0 million and \$70.5 million.

Gross profit for the healthcare division for the three and six month periods ended November 30, 1993 increased \$4.2 and \$10.9 million, respectively, when compared with the same periods last year. For the three and six months ended November 30, 1993, both healthcare revenues and operating expenses increased 9% and 11% in each period, respectively. The improvement in gross profit was primarily due to higher occupancies in the Company's nursing facilities and added capacity in Vitalink, the Company's institutional pharmacy subsidiary.

Gross profit of the lodging division for the three and six month periods ended November 30, 1993 increased \$4.6 million and \$6.6 million, respectively, when compared to the same periods last year. Lodging revenues increased 27% for the three and six months periods. The improved operating performance is attributable to improved conditions in the overall travel industry as well as added capacity in our hotel division.

Depreciation and amortization increased \$1.4 and \$2.8 million for the three and six month periods ended November 30, 1993, respectively, due to new construction and acquisitions in the past twelve months.

MANOR CARE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Results of Operations (Continued)

General Corporate expenses for the three and six month periods ended November 30, 1993 increased \$1.9 million and \$4.6 million, respectively, when compared to the same periods last year. General corporate expense represented 5.5% of revenues during the six months ended November 30, 1993 as compared to 5.4% during the same period in the prior year. General corporate expense includes risk management, treasury, accounting, legal, human resources and other administrative support functions.

Interest expense decreased \$.7 million and \$.6 million for the three and six months ended November 30, 1993, respectively, primarily due to the early redemption and conversion of the \$99 million of 6 3/8% debentures on October 25, 1993. Interest capitalized amounted to \$.2 and \$1.4 million in the six months ended November 30, 1993 and 1992, respectively.

MANOR CARE, INC. AND SUBSIDIARIES

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

There were no reports filed on Form 8-K for the three months ended November 30, 1993.

MANOR CARE, INC. AND SUBSIDIARIES

SIGNATURES

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 thereunto duly authorized.

(Registrant)

Date: January 12, 1994 By: James A. MacCutcheon
Senior Vice President
and Chief Financial Officer

Date: January 12, 1994 By: James H. Rempe
Senior Vice President
General Counsel and Secretary

Date: January 12, 1994 By: Margarita Schoendorfer
Vice President and
Corporate Controller