

VCA ANTECH INC
Form 10-Q
August 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2013

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Commission File Number: 001-16783

VCA Antech, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

12401 West Olympic Boulevard

Los Angeles, California 90064-1022

(Address of principal executive offices)

(310) 571-6500

(Registrant's telephone number, including area code)

95-4097995

(I.R.S. Employer
Identification No.)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has 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 registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant 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.:

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (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, as of the latest practicable date: common stock, \$0.001 par value, 88,618,415 shares as of August 6, 2013.

VCA Antech, Inc. and Subsidiaries
Form 10-Q
June 30, 2013
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VCA Antech, Inc. and Subsidiaries
Condensed, Consolidated Balance Sheets
(Unaudited)
(In thousands, except par value)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 112,270	\$ 68,435
Trade accounts receivable, less allowance for uncollectible accounts of \$16,759 and \$16,546 at June 30, 2013 and December 31, 2012, respectively	70,252	55,912
Inventory	51,374	51,456
Prepaid expenses and other	24,660	25,086
Deferred income taxes	26,130	22,579
Prepaid income taxes	8,185	20,061
Total current assets	292,871	243,529
Property and equipment, net	429,745	403,444
Goodwill	1,307,487	1,291,231
Other intangible assets, net	86,731	94,823
Notes receivable, net	3,625	6,080
Deferred financing costs, net	3,606	4,232
Other	51,434	48,241
Total assets	\$ 2,175,499	\$ 2,091,580
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 46,892	\$ 39,002
Accounts payable	37,841	39,416
Accrued payroll and related liabilities	51,568	49,893
Other accrued liabilities	62,745	57,131
Total current liabilities	199,046	185,442
Long-term debt, less current portion	587,968	591,641
Deferred income taxes	82,508	75,846
Other liabilities	34,437	37,267
Total liabilities	903,959	890,196
Commitments and contingencies		
Redeemable noncontrolling interests	11,111	6,991
Preferred stock, par value \$0.001, 11,000 shares authorized, none outstanding	—	—
VCA Antech, Inc. stockholders' equity:		
Common stock, par value \$0.001, 175,000 shares authorized, 88,605 and 88,372 shares outstanding as of June 30, 2013 and December 31, 2012, respectively	89	88
Additional paid-in capital	394,304	390,359
Retained earnings	863,356	791,209
Accumulated other comprehensive (loss) income	(4,494)) 1,847
Total VCA Antech, Inc. stockholders' equity	1,253,255	1,183,503
Noncontrolling interests	7,174	10,890

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Total equity	1,260,429	1,194,393
Total liabilities and equity	\$2,175,499	\$2,091,580

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

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VCA Antech, Inc. and Subsidiaries
Condensed, Consolidated Income Statements
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$465,255	\$438,372	\$903,861	\$847,837
Direct costs	350,961	337,765	692,644	653,851
Gross profit	114,294	100,607	211,217	193,986
Selling, general and administrative expense	39,023	38,997	78,869	78,048
Net (gain) loss on sale or disposal of assets	(430)) 112	1,296	635
Operating income	75,701	61,498	131,052	115,303
Interest expense, net	5,658	4,364	9,965	8,451
Business combination adjustment gain	—	—	—	(5,719)
Other income	(18)) (148)) (27)) (355)
Income before provision for income taxes	70,061	57,282	121,114	112,926
Provision for income taxes	26,601	21,504	45,831	40,827
Net income	43,460	35,778	75,283	72,099
Net income attributable to noncontrolling interests	1,798	1,458	3,136	2,534
Net income attributable to VCA Antech, Inc	\$41,662	\$34,320	\$72,147	\$69,565
Basic earnings per share	\$0.47	\$0.39	\$0.82	\$0.80
Diluted earnings per share	\$0.46	\$0.39	\$0.81	\$0.79
Weighted-average shares outstanding for basic earnings per share	88,509	87,589	88,455	87,443
Weighted-average shares outstanding for diluted earnings per share	89,653	88,723	89,531	88,555

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

VCA Antech, Inc. and Subsidiaries
Condensed, Consolidated Statements of Comprehensive Income
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income ⁽¹⁾	\$43,460	\$35,778	\$75,283	\$72,099
Other comprehensive income:				
Foreign currency translation adjustments	(3,597)	(1,477)	(6,341)	(413)
Other comprehensive loss	(3,597)	(1,477)	(6,341)	(413)
Total comprehensive income	39,863	34,301	68,942	71,686
Comprehensive income attributable to noncontrolling interests ⁽¹⁾	1,798	1,458	3,136	2,534
Comprehensive income attributable to VCA Antech, Inc.	\$38,065	\$32,843	\$65,806	\$69,152

(1) Includes approximately \$1.9 million and \$1.3 million of net income related to redeemable and mandatorily redeemable noncontrolling interests for the six months ended June 30, 2013 and 2012, respectively.

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

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VCA Antech, Inc. and Subsidiaries
Condensed, Consolidated Statements of Equity
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
	Shares	Amount					
Balances, December 31, 2011	86,796	\$ 87	\$361,715	\$745,658	\$ 418	\$ 10,074	\$1,117,952
Net income (excludes \$463 and \$839 related to redeemable and mandatorily redeemable noncontrolling interests, respectively).	—	—	—	69,565	—	1,232	70,797
Other comprehensive loss	—	—	—	—	(413)	—	(413)
Distribution to noncontrolling interests	—	—	—	—	—	(635)	(635)
Share-based compensation	—	—	7,767	—	—	—	7,767
Issuance of common stock under stock incentive plans	635	1	2,190	—	—	—	2,191
Issuance of common stock for acquisitions	473	—	10,500	—	—	—	10,500
Stock repurchases	(163)	—	(2,805)	—	—	—	(2,805)
Excess tax benefit from stock options	—	—	248	—	—	—	248
Tax shortfall and other from stock options and awards	—	—	9	—	—	—	9
Balances, June 30, 2012	87,741	\$ 88					