

OPTION CARE INC/DE
Form 10-Q
August 09, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended

June 30, 2004

Commission file number 00-19878

OPTION CARE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

**485 Half Day Road, Suite 300
Buffalo Grove, Illinois**

(Address of principal executive office)

36-3791193

(IRS Employer Identification No.)

60089

(zip code)

(847) 465-2100

(Registrant's telephone number, including area code)

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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 (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 is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Issued and Outstanding as of August 5, 2004
Common Stock - \$0.01 par value	21,387,359

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Option Care, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except per share amounts)

	June 30, 2004 (Unaudited)	December 31, 2003 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,787	\$ 3,961
Accounts receivable, net	60,761	62,190
Inventory	9,095	11,522
Deferred income tax benefit	3,711	4,442
Other current assets	5,616	5,279
Total current assets	91,970	87,394
Equipment and other fixed assets, net	12,680	12,145
Goodwill, net	65,651	64,970
Other assets	1,647	2,025
Total assets	\$ 171,948	\$ 166,534
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 16,256	\$ 19,940
Current portion of long-term debt	41	424
Other current liabilities	7,958	10,253
Total current liabilities	24,255	30,617
Long-term debt, less current portion	77	82
Long-term deferred income tax liability	6,331	5,677
Other liabilities	602	711
Minority interest	498	427
Total liabilities	31,763	37,514
Stockholders' equity:		
Common stock, \$.01 par value per share, 60,000 shares authorized, 21,321 and 20,942 shares issued and outstanding at June 30, 2004 and December 31, 2003, respectively	213	209
Common stock to be issued, 91 and 144 shares at June 30, 2004 and December 31, 2003, respectively	779	834
Additional paid-in capital	106,670	104,173
Retained earnings	32,523	23,965
Less treasury stock, at cost, common shares 15 at December 31, 2003		(161)

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Total stockholders' equity	140,185	129,020
Total liabilities and stockholders' equity	\$ 171,948	\$ 166,534

See notes to condensed consolidated financial statements

Option Care, Inc. and Subsidiaries

Condensed Consolidated Statements of Income

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenue:				
Specialty pharmacy services	\$ 58,407	\$ 48,172	\$ 123,339	\$ 105,206
Infusion and related healthcare services	37,450	34,126	72,396	67,199
Other	2,794	2,484	6,065	4,939
Total revenue	98,651	84,782	201,800	177,344
Cost of revenue:				
Cost of goods sold	58,997	47,001	122,805	101,825
Cost of services provided	10,616	10,126	21,260	20,584
Total cost of revenue	69,613	57,127	144,065	122,409
Gross profit	29,038	27,655	57,735	54,935
Selling, general and administrative expenses				
Selling, general and administrative expenses	19,200	18,177	38,449	36,208
Provision for doubtful accounts	1,462	2,330	3,021	4,208
Depreciation and amortization	569	684	1,250	1,352
Total operating expenses	21,231	21,191	42,720	41,768
Operating income	7,807	6,464	15,015	13,167
Interest income (expense), net	34	(6)	35	(106)
Other expense, net	(12)	(84)	(79)	(91)
Income before income taxes	7,829	6,374	14,971	12,970
Income tax provision	3,128	2,563	5,985	5,194
Net income	\$ 4,701	\$ 3,811	\$ 8,986	\$ 7,776
Net income per common share:				
Basic	\$ 0.22	\$ 0.18	\$ 0.42	\$ 0.37
Diluted	\$ 0.22	\$ 0.18	\$ 0.42	\$ 0.37
Shares used in computing net income per share:				
Basic	21,282	20,799	21,188	20,788
Diluted	21,742	21,222	21,644	21,175
Cash dividends per share	\$ 0.02	\$	\$ 0.02	\$

See notes to condensed consolidated financial statements

Option Care, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders Equity

(Unaudited)

(in thousands, except per share amounts)

	Common Stock		Common	Additional	Retained	Treasury	Stock-
	Shares	Amount	Stock to be	Paid-In	Earnings	Stock	holders
			Issued	Capital			Equity
Balance at December 31, 2003	20,927	\$ 209	\$ 834	\$ 104,173	\$ 23,965	\$ (161)	\$ 129,020
Net income	—	—	—	—	8,986	—	8,986
Shares issued and issuable under stock plans (1)	480	5	(55)	2,451	—	2	2,403
Income tax benefit from stock option exercises	—	—	—	1,148	—	—	1,148
Purchase of treasury stock	(86)	—	—	—	—	(944)	(944)
Retirement of treasury stock	—	(1)	—	(1,102)	—	1,103	—
Cash dividends paid (\$0.02 per share)	—	—	—	—	—	—	—