

HLTH CORP
Form 10-Q
November 10, 2008

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

Form 10-Q

- þ** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2008
- or**
- o** **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: 0-24975

HLTH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)
669 River Drive, Center 2
Elmwood Park, New Jersey
(Address of principal executive office)

94-3236644
(I.R.S. employer identification no.)
07407-1361
(Zip code)

(201) 703-3400

(Registrant's telephone number including area code)

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 **þ** No **o**

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

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company in Rule 12b-2 of the Exchange Act. (Check one):

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 ☒

As of November 5, 2008, there were 185,561,083 shares of HLTH Common Stock outstanding (including unvested shares of restricted HLTH Common Stock issued under our equity compensation plans).

HLTH CORPORATION
QUARTERLY REPORT ON FORM 10-Q
For the period ended September 30, 2008

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. All statements, other than statements of historical fact, are or may be, forward-looking statements. For example, statements concerning projections, predictions, expectations, estimates or forecasts and statements that describe our objectives, future performance, plans or goals are, or may be, forward-looking statements. These forward-looking statements reflect management's current expectations concerning future results and events and can generally be identified by the use of expressions such as may, will, should, could, would, likely, predict, potential, continue, future, expect, anticipate, intend, plan, foresee, and other similar words or phrases, as well as statements in the future tense.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. The following important risks and uncertainties could affect our future results, causing those results to differ materially from those expressed in our forward-looking statements:

failure to achieve sufficient levels of usage of WebMD's public portals;

inability to successfully deploy new or updated applications or services;

failure to achieve sufficient levels of utilization and market acceptance of new or updated products and services;

difficulties in forming and maintaining relationships with customers and strategic partners;

inability to attract and retain qualified personnel;

anticipated benefits from acquisitions not being fully realized or not being realized within the expected time frames;

general economic, business or regulatory conditions affecting the healthcare, information technology, Internet and plastics industries being less favorable than expected; and

the other risks and uncertainties described in this Quarterly Report on Form 10-Q under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That May Affect Our Future Financial Condition or Results of Operations."

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other factors, including unknown or unpredictable ones, could also have material adverse effects on our future results.

The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report. Except as required by law or regulation, we do not undertake any obligation to update any forward-looking statements to reflect subsequent events or circumstances.

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PART I
FINANCIAL INFORMATION

ITEM 1. Financial Statements

HLTH CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,380,179	\$ 536,879
Short-term investments	284,789	290,858
Accounts receivable, net of allowance for doubtful accounts of \$1,261 at September 30, 2008 and \$1,165 at December 31, 2007	78,148	86,081
Due from EBS Master LLC		1,224
Prepaid expenses and other current assets	27,190	71,090
Assets of discontinued operations	119,891	262,964
Total current assets	1,890,197	1,249,096
Marketable equity securities	2,175	2,383
Property and equipment, net	51,766	49,554
Goodwill	211,414	217,323
Intangible assets, net	28,917	36,314
Investment in EBS Master LLC		25,261
Other assets	36,534	71,466
TOTAL ASSETS	\$ 2,221,003	\$ 1,651,397
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses	\$ 44,305	\$ 49,598
Deferred revenue	81,740	76,401
Liabilities of discontinued operations	100,464	123,131
Total current liabilities	226,509	249,130
1.75% convertible subordinated notes due 2023	350,000	350,000
31/8% convertible notes due 2025	300,000	300,000
Other long-term liabilities	21,184	21,137
Minority interest in WHC	139,250	131,353

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$0.0001 par value; 5,000,000 shares authorized; no shares outstanding

Common stock, \$0.0001 par value; 900,000,000 shares authorized; 457,943,786 shares issued at September 30, 2008; 457,803,361 shares issued at December 31, 2007

Additional paid-in capital	46	46
Treasury stock, at cost; 273,397,698 shares at September 30, 2008; 275,786,634 shares at December 31, 2007	12,504,151	12,479,574
Accumulated deficit	(2,556,347)	(2,564,948)
Accumulated other comprehensive income	(8,764,576)	(9,320,748)
	786	5,853

Total stockholders' equity	1,184,060	599,777
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,221,003	\$ 1,651,397
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See accompanying notes.

Table of Contents**HLTH CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data, unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenue	\$ 100,367	\$ 86,034	\$ 271,185	\$ 235,112
Costs and expenses:				
Cost of operations	35,322	30,021	99,655	87,636
Sales and marketing	26,441	22,459	77,731	67,258
General and administrative	22,928	25,718	67,253	81,111
Depreciation and amortization	7,265	7,390	21,468	20,954
Interest income	9,386	10,864	29,384	30,638
Interest expense	4,636	4,660	13,871	13,985
Gain on sale of EBS Master LLC			538,024	
Impairment of auction rate securities			60,108	
Other (expense) income, net	(997)	989	(5,807)	5,267
Income from continuing operations before income tax provision	12,164	7,639	492,700	73
Income tax provision	7,679	2,977	34,623	4,404
Minority interest in WHC income (loss)	1,845	1,800	(929)	2,758
Equity in earnings of EBS Master LLC		8,005	4,007	22,679
Income from continuing operations	2,640	10,867	463,013	15,590
Income (loss) from discontinued operations, net of tax	93,241	5,704	93,159	(38,780)
Net income (loss)	\$ 95,881	\$ 16,571	\$ 556,172	\$ (23,190)
Basic income (loss) per common share:				
Income from continuing operations	\$ 0.01	\$ 0.06	\$ 2.53	\$ 0.09
Income (loss) from discontinued operations	0.51	0.03	0.51	(0.22)
Net income (loss)	\$ 0.52	\$ 0.09	\$ 3.04	\$ (0.13)
Diluted income (loss) per common share:				
Income from continuing operations	\$ 0.01	\$ 0.06	\$ 2.06	\$ 0.08
Income (loss) from discontinued operations	0.50	0.03	0.41	(0.21)
Net income (loss)	\$ 0.51	\$ 0.09	\$ 2.47	\$ (0.13)
Weighted-average shares outstanding used in computing income (loss) per common share:				
Basic	183,716	179,811	182,838	178,681

Diluted	187,527	188,071	228,653	188,486
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See accompanying notes.

Table of Contents**HLTH CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands, unaudited)**

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ 556,172	\$ (23,190)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
(Income) loss from discontinued operations, net of tax	(93,159)	38,780
Depreciation and amortization	21,468	20,954
Minority interest in WHC (loss) income	(929)	2,758
Equity in earnings of EBS Master LLC	(4,007)	(22,679)
Amortization of debt issuance costs	2,248	2,179
Non-cash advertising	1,736	2,489
Non-cash stock-based compensation	18,974	26,246
Deferred income taxes	11,934	3,710
Gain on sale of EBS Master LLC and 2006 EBS Sale	(538,024)	(399)
Impairment of auction rate securities	60,108	
Changes in operating assets and liabilities:		
Accounts receivable	7,933	14,835
Prepaid expenses and other, net	4,174	(198)
Accrued expenses and other long-term liabilities	(3,639)	(45,878)
Deferred revenue	5,339	3,253
Net cash provided by continuing operations	50,328	22,860
Net cash provided by discontinued operations	28,497	24,366
Net cash provided by operating activities	78,825	47,226
Cash flows from investing activities:		
Proceeds from maturities and sales of available-for-sale securities	117,539	356,492
Purchases of available-for-sale securities	(177,150)	(694,522)
Purchases of property and equipment	(15,115)	(14,427)
Proceeds related to sales of ViPS, EBS, EPS and ACS/ACP, net of expenses	821,706	14,565
Decrease in net advances to EBS Master LLC	1,224	19,921
Other	148	
Net cash provided by (used in) continuing operations	748,352	(317,971)
Net cash used in discontinued operations	(4,265)	(3,785)
Net cash provided by (used in) investing activities	744,087	(321,756)
Cash flows from financing activities:		
Proceeds from issuance of HLTH and WHC common stock	20,725	114,077
Purchases of treasury stock under repurchase program		(47,120)

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Other	343	4,300
Net cash provided by continuing operations	21,068	71,257
Net cash used in discontinued operations	(76)	(130)
Net cash provided by financing activities	20,992	71,127
Effect of exchange rates on cash	(604)	1,042
Net increase (decrease) in cash and cash equivalents	843,300	(202,361)
Cash and cash equivalents at beginning of period	536,879	614,691
Cash and cash equivalents at end of period	\$ 1,380,179	\$ 412,330

See accompanying notes.

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HLTH CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share data, unaudited)

1. Background and Basis of Presentation