DaVita Inc. Reports 3rd Quarter Results

DaVita Inc., formerly Total Renal Care Holdings, Inc. , today announced results for the quarter ended September 30, 2000. Net earnings were $13.2 million, or $0.16 per share, excluding the previously announced extraordinary loss relating to the restructuring of our term loan. Continental U.S. EBITDA, earnings before interest, taxes, depreciation and amortization for the third quarter was $76.7 million.

Quarterly financial highlights include:

-- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the third quarter was $260.41 as compared to $249.23 in the second quarter, or a 4.5% increase. Continental U.S. DSO at quarter end was 77 days, including Florida Medicare laboratory receivables. This represents a 3-day improvement from the second quarter.
-- The continental U.S. EBITDA margin for the third quarter was 21.4%. Net cash provided by operations for the three and nine months ended September 30, 2000 was $84 million and $195 million, respectively.
-- As of the date of this release our leverage ratio (the ratio of net debt to EBITDA) is 3.2x, down from 5.5x at the beginning of the year. Total continental U.S. treatments for the third quarter were 1,347,970. Non-acquired treatment growth was 5.7%, which included same center treatment growth of 4.8%.
-- At September 30, 2000 we operated 487 outpatient centers in the continental U.S. serving over 41,000 patients. During the quarter we sold 1 center and closed 1 under-performing center. Included in our continental patient and facility count are 4,700 patients in 55 centers under management. We also provide acute hemodialysis services to inpatients at approximately 290 hospitals.

Kent Thiry, Chairman and CEO stated, "The DaVita team worked hard to meet, and in several cases exceed, the expectations of each of our stakeholders. Although we still have a material number of poor contracts and an extensive need to build fundamental infrastructure, our team is relentlessly pursuing operational excellence."

Specifics of the third quarter charges and other developments:

-- As a result of the restructuring of our revolving and term loan credit facilities in July 2000, we wrote-off certain financing costs reflected in the third quarter financial statements as a $3.5 million extraordinary loss, net of tax, and additional debt expense of $1.2 million pre-tax, or $0.01 per share after-tax.
-- In the third quarter we have ceased recognizing Medicare revenue from services provided at our Florida laboratory. This policy does not reflect a change in our determination that the tests performed are medically justified and should ultimately be reimbursed. Our decision is based solely on the fact that we have not been paid for services rendered in over two years and we are uncertain when we will achieve resolution of this matter.
-- In October the United States District Court entered a Final Judgment approving the Stipulation of Settlement that DaVita previously entered into with the plaintiffs in the consolidated securities class actions that were filed against Total Renal Care and several of its former officers in February 1999. As a result of the Final Judgment, the class actions are dismissed and the litigation is over. DaVita's portion of the settlement was funded and recorded in the second quarter of 2000.

This release contains forward-looking statements regarding the Company's expected third quarter results and ability to sustain those results. Actual results could differ materially from these forward-looking statements. Factors which could cause or contribute to such differences include the uncertainties associated with governmental regulation, general economic and other market conditions, and the "risk factors" set forth in the Company's SEC filings, including its Form 10-Q for the quarter ended June 30, 2000. These risks include (1) possible changes in private and government reimbursement rates, (2) the concentration of profits generated from private indemnity patients, (3) the ongoing payment suspension and review of the Company's Florida laboratory subsidiary by its Medicare carrier and the Department of Justice, (4) its ability to maintain contracts with physician

medical directors and (5) the risks relating to the large amount and terms of the Company's outstanding debt. The forward-looking statements should be considered in light of these risks and uncertainties.

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2000	1999	2000	1999
Net operating revenues	$362,535	$367,168	$1,113,556	$1,072,231
Operating expenses				
Dialysis and lab facilities	248,734	250,433	775,746	730,621
General and administrative	29,920	32,725	93,460	85,892
Depreciation and amortization	26,927	28,956	84,315	82,104
Provision for uncollectible accounts	7,048	17,002	32,555	63,187
Impairments and valuation adjustments		2,945	4,414	19,545
Total operating expenses	312,629	332,061	990,490	981,349
Operating income	49,906	35,107	123,066	90,882
Other income (loss)	1,418	1,241	(9,171)	4,505
Debt expense	26,370	30,184	94,017	78,391
Minority interests in income of consolidated subsidiaries	(1,147)	(1,586)	(3,168)	(6,425)
Income before income taxes	23,807	4,578	16,710	10,571
Income tax expense	10,657	2,319	15,068	7,163
Income before extraordinary item	13,150	2,259	1,642	3,408
Extraordinary loss related to early extinguishment of debt, net of tax of $2,222	3,490		3,490	
Net income (loss)	$ 9,660	$2,259	$(1,848)	$3,408
Earnings (loss) per common share:				
Income before extraordinary item	$0.16	$0.03	$0.02	$0.04
Extraordinary loss, net of tax	(0.04)		(0.04)	
Net income (loss)	$0.12	$0.03	$(0.02)	$0.04
Earnings (loss) per common share-assuming dilution:				
Income before extraordinary item	$0.16	$0.03	$0.02	$0.04
Extraordinary loss, net of tax	(0.04)		(0.04)	
Net income (loss)	$0.12	$0.03	$(0.02)	$0.04
Supplemental Information:				
Earnings pre common share - assuming dilution and excluding the financing costs write-off	$0.17			

DAVITA INC.

CONSOLIDATED BALANCE SHEETS
(in thousands except per share data)

	September 30, 2000	December 31, 1999
ASSETS		
Cash and cash equivalents	$38,574	$107,981
Accounts receivable	302,640	390,329
Inventories	37,425	32,916
Other current assets	17,090	32,082
Income tax receivable		45,645

Deferred income taxes	53,433	45,795
Total current assets	449,162	654,748
Property and equipment, net	241,381	285,449
Intangible assets, net	940,083	1,069,672
Investments in third-party dialysis businesses	32,988	35,552
Deferred income taxes	5,495	6,553
Other long-term assets	2,174	4,744
	$1,671,283	$2,056,718

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	$69,488	$121,561
Accrued compensation and benefits	64,465	47,647
Other liabilities	97,024	77,141
Current portion of long-term debt	48,907	26,585
Income taxes payable	5,320	
Long-term debt potentially callable under covenant provisions		1,425,610
Total current liabilities	285,204	1,698,544
Long-term debt, less $0 and $1,425,610 potentially callable classified as current	1,033,635	5,696
Other long-term liabilities	4,960	3,497
Minority interests	16,801	22,577
Shareholders' equity		
Preferred stock ($0.001 par value; 5,000,000 shares authorized; none issued or outstanding)		
Common stock ($0.001 par value, 195,000,000 shares authorized; 81,722,612 and 81,193,011 shares issued and outstanding)	82	81
Additional paid-in capital	427,404	426,025
Notes receivable from shareholders	(163)	(192)
Accumulated other comprehensive loss		(4,718)
Accumulated deficit	(96,640)	(94,792)
Total shareholders' equity	330,683	326,404
	$1,671,283	$2,056,718

SOURCE: DaVita Inc

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