

DaVita Inc. Reports 3rd Quarter 2001 Results

PRNewswire
TORRANCE, Calif.

DaVita Inc. today announced results for the period ended September 30, 2001. Continental U.S. EBITDA (earnings before interest, taxes, depreciation and amortization) for the third quarter was \$95.6 million. Net earnings were \$28 million or \$0.31 per share. These results exclude cash settlements and recoveries related to prior years.

Including the recoveries, net earnings for the quarter were \$44.3 million or \$0.47 per share.

Financial and operating highlights include:

- Continental U.S. dialysis revenue per treatment (excluding lab, management fees and other revenue) in the third quarter was \$280.16 compared to \$275.87 in the second quarter, a 1.6% increase.
- Operating cash flow for the three months and nine months ended September 30, 2001 was \$112 million and \$247 million, respectively.
- Continental U.S. DSO at quarter end was 71 days compared to 68 days at the end of the second quarter.
- Total continental U.S. treatments for the third quarter were 1,432,453. Both non-acquired and same center treatment growth were 4.1%.
- Third quarter cash settlements and recoveries for 2000 net revenue were \$22 million. Third quarter cash recoveries associated with accounts receivable reserved in 1999 were \$5.2 million. The third quarter cash recoveries associated with prior years' services reflect collections in excess of prior estimates due to continued improvements in the Company's billing and collecting operations.
- At September 30, 2001 we operated 492 outpatient centers in the continental U.S. serving 42,000 patients. During the quarter we closed one under-performing center, opened two de novo centers and acquired eight centers. We previously managed five of the acquired centers. Included in our continental patient and center count are 3,200 patients in 30 centers under management.

DaVita will hold a conference call to discuss its third quarter 2001 results on Monday, November 5, 2001 at noon Eastern time. The dial-in number is 800-399-4406. A replay of the conference call will be available on DaVita's official web page, <http://www.davita.com/>, for the following 30 days.

This release contains forward-looking statements. Factors which could impact future results 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, 2001. These risks include those relating to possible reductions in private and government reimbursement rates, the concentration of profits generated from PPO and private indemnity patients and from ancillary services including the administration of pharmaceuticals, the ongoing payment suspension and review of the Company's Florida laboratory subsidiary by its Medicare carrier and the Department of Justice, the ongoing review by the Civil Division of the US Attorney's Office for the Eastern District of Pennsylvania and the Company's ability to maintain contracts with physician medical directors. The forward-looking statements should be considered in light of these risks and uncertainties.

DAVITA INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in thousands, except per share data)

September 30, December 31,
2001 2000

ASSETS

Cash and cash equivalents	\$45,255	\$31,207
Accounts receivable, less allowance of \$48,757 and \$61,619	318,035	290,412
Inventories	33,173	20,641
Other current assets	7,852	10,293

Income taxes receivable	2,830		
Deferred income taxes	51,789	42,492	
Total current assets	456,104	397,875	
Property and equipment, net	246,031	236,659	
Intangible assets, net	943,558	921,623	
Investments in third-party dialysis businesses	5,093	34,194	
Other long-term assets	2,307	1,979	
Deferred income taxes		4,302	
	\$1,653,093	\$1,596,632	

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	\$80,325	\$74,882	
Other current liabilities	121,666	102,563	
Accrued compensation and benefits	85,732	70,406	
Current portion of long-term debt	6,432	1,676	
Income taxes payable	19,485		
Total current liabilities	313,640	249,527	
Long-term debt	813,977	974,006	
Other long-term liabilities	5,212	4,855	
Deferred income taxes	21,509		
Minority interests	21,121	18,876	
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; 84,577,090 and 82,135,634 shares issued and outstanding)	85	82	
Additional paid-in capital	456,593	430,676	
Notes receivable from shareholders		(83)	
Treasury stock, at cost (126,000 shares)	(2,494)		
Retained earnings (deficit)	23,450	(81,307)	
Total shareholders' equity	477,634	349,368	
	\$1,653,093	\$1,596,632	

DAVITA INC.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(dollars in thousands, except per share data)

	Three months ended	Nine months ended	
	September 30,	September 30,	
	2001	2000	2001

Net operating revenues:

Current period			
services	\$412,239	\$362,535	\$1,199,096
Prior period			\$1,113,556
services	22,000		22,000

Operating expenses:

Dialysis centers			
and labs	277,252	248,734	809,771
General and			775,746
administrative	31,150	29,920	95,380
Depreciation and			93,460
amortization	26,281	26,927	79,053
Provision for			84,315
uncollectible			
accounts	2,689	7,048	(5,874)
Impairment and			32,555
valuation			
adjustments		4,414	
Total			
operating			
expenses	337,372	312,629	978,330
Operating income	96,867	49,906	242,766
			123,066
Other income (loss),			
net	1,856	1,418	4,324
Debt expense	18,319	26,370	(9,171)
Minority interests in			
income of			
consolidated			
subsidiaries	(2,126)	(1,147)	(6,852)
			(3,168)

Income before income taxes and extraordinary item	78,278	23,807	183,480	16,710
Income tax expense	34,000	10,657	79,700	15,068
Income before extraordinary item	44,278	13,150	103,780	1,642
Extraordinary gain (loss) related to early extinguishment of debt, net of tax of \$(652) in 2001 and \$2,222 in 2000, respectively				
Net income (loss)	(3,490)	977	(3,490)	
Net income (loss)	\$44,278	\$9,660	\$104,757	\$(1,848)

Earnings (loss) per
common share - basic:

Income before extraordinary item	\$ 0.52	\$ 0.16	\$ 1.25	\$ 0.02
Extraordinary gain (loss), net of tax		(0.04)	0.01	(0.04)
Net income (loss)	\$ 0.52	\$ 0.12	\$ 1.26	\$ (0.02)

Weighted average
number of common
shares outstanding 84,354,000 81,649,000 83,411,000 81,469,000

Earnings (loss)
per common
share-assuming
dilution:

Income before extraordinary item	\$ 0.47	\$ 0.16	\$ 1.15	\$ 0.02
Extraordinary gain (loss), net of tax		(0.04)	0.01	(0.04)
Net income (loss)	\$ 0.47	\$ 0.12	\$ 1.16	\$ (0.02)

Weighted average
number of common
shares outstanding
- assuming
dilution 104,026,000 83,847,000 103,157,000 82,564,000

Supplemental information excluding impairments, prior period
recoveries and extraordinary items:

Continental treatments	1,432,453	1,347,970	4,208,241	4,001,359
Continental EBITDA	\$ 95,627	\$ 76,740	\$ 270,166	\$ 201,585
Continental EBITDA margin	23.4%	21.4%	22.7%	19.3%
Earnings per common share - assuming dilution	\$ 0.31	\$ 0.16	\$ 0.82	\$ 0.05

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