Total Renal Care Reports 2nd Quarter Earnings and Charges

TORRANCE, Calif., Aug. 10 /PRNewswire/ -- Total Renal Care Holdings, Inc. (NYSE: TRL), the second largest (and largest independent) worldwide provider of integrated dialysis services, today announced revenues, earnings and earnings per share for the second quarter and six months ended June 30, 1999.

On a normalized basis, before the unusual items described below, the Company's revenues were $364 million for the second quarter ended June 30, 1999 and $716.2 million for the six month period ended June 30, 1999. Net income was $16.2 million for the quarter and $36.2 million for the six month period. Earnings per share were $0.20 for the second quarter and $0.44 for the six month period.

The Company, on a normalized basis, had operating income that was $22.0 million below its expectations for the second quarter. $10.5 million of this shortfall reflects lower than expected revenues. During the second quarter, the Company's Berwyn billing office (which bills 45% of the Company's domestic dialysis revenues) had revenues per treatment of $254 compared to $243 for the Company's Tacoma billing office (which bills 55% of the Company's domestic dialysis revenues). This difference primarily reflects Tacoma's historical collection performance and resulted in the $10.5 million shortfall. The Company's operating expenses for the second quarter were $11.5 million higher than projected.

The Company recognized the following unusual items in the second quarter:

-- A $35.0 million charge for accounts receivable at the Company's Tacoma billing office that includes a $24.0 million increase in provision for doubtful accounts for the second quarter relating to accounts receivable greater than six months old, and a $11.0 million increase in contractual allowances.
-- A $16.6 million write-off of minority investments and loans to dialysis-related businesses, which is higher than the original $10 million estimate in our July 18, 1999 press release.
-- A $4.5 million charge for the resolution of outstanding vendor claims for goods and services provided in earlier periods. These vendor claims were originally estimated in our July 18, 1999 press release at between $8-10 million.
-- A $2.5 million charge for non-recurring expense items including costs associated with the now-disposed-of corporate jet and expensing capitalized acquisition costs for transactions that will not be consummated.
-- A $13.2 million charge for the under-accrual of accounts payable as of March 31, 1999 which will result in a restatement of the Company's financial statements for the first quarter of 1999.

"These charges are the result of the strains placed on our financial infrastructure due to our significant historical growth as well as systems conversions during the first half of 1999. We are now completely focused on strengthening our financial infrastructure, internal controls and collection processes in Tacoma," stated George B. DeHuff, III, TRC's interim Chief Executive Officer. "We have seen significant improvements in our collection efforts at our Berwyn billing office throughout 1999 and are implementing similar systems and process improvements in our Tacoma office."

During the first six months of 1999, the Company has added through acquisitions and management agreements over 3,100 patients and 45 dialysis centers, including approximately 2,050 patients in 25 domestic facilities, over 400 patients under management contracts in 3 facilities, and approximately 650 patients in 17 centers internationally. Additionally, the Company has opened 13 owned or managed de novo facilities in 1999 and expects to complete approximately 15 additional facilities by the end of this year. The Company's same-store treatment growth for the second quarter was 7.3%.

"We are pleased with our strategic acquisitions during 1999. We have achieved over 75% of our 1999 acquisition targets and will complete only a limited number of strategic transactions during the remainder of 1999," stated DeHuff. "We are well positioned for long-term growth and will continue to be a leading player in one of the most attractive segments of health care services. Management's focus is on strengthening our financial infrastructure and improving cash collections. After achieving these improvements, we will reassess the pace of our growth strategy."

The Company also announced that it recently obtained waivers of certain covenants in its credit facilities with which the Company would not have been in compliance. Also, the Company's complaint filed against HCFA and its Carrier, Blue Cross/Blue Shield of Florida, Inc. in the U.S. Federal

District Court seeking reinstatement of payments to its Florida Lab was dismissed on the basis of failure to first exhaust all administrative remedies. The Company is now expecting a carrier ruling (by approximately November 15, 1999) following its July hearing regarding the first time period reviewed by the carrier (January 1, 1993 through April 30, 1996). Additionally, the Carrier has notified the Company of its overpayment determination with regard to the second time period it reviewed (May 1, 1996 to March 31, 1998). This overpayment determination totaled $14.2 million.

	Quarter End June 30, 1998	Quarter End Sept. 30, 1998	Quarter End Dec. 31, 1998	Year End Dec. 31, 1998	Quarter End March 31, 1999	Quarter End June 30, 1999
Treatments	1,187,000	1,284,000	1,342,000	4,912,000	1,391,000	1,467,000
Patients	33,100	36,400	39,500	39,500	42,100	44,000
Centers	423	477	508	508	541	564
Revenue/ Treatment	$243	$248	$253	$245	$253	$248

Torrance, California based Total Renal Care Holdings, Inc. is the second largest (and largest independent) worldwide provider of integrated dialysis services for patients suffering from chronic kidney failure. The Company owns and operates high-quality, free-standing kidney dialysis centers and home peritoneal dialysis programs in 35 states, as well as Washington, D.C., Puerto Rico, Guam, Argentina and several European countries. It also provides high quality acute hemodialysis services to inpatients at approximately 330 hospitals. As of July 1, 1999, Total Renal Care operated 564 outpatient dialysis facilities serving more than 44,000 patients, including more than 3,700 patients in 46 centers under Total Renal Care management. Total Renal Care also operates ESRD laboratory and pharmacy facilities, as well as vascular access management, transplant services and ESRD clinical research programs.

This release contains forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding potential strengthening of operations and market opportunities and involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors which could cause or contribute to such differences include, but are not limited to, the uncertainties associated with governmental regulation, general economic and other market conditions, and the "risk factors" set forth in the Company's filings with the Securities and Exchange Commission, including but not limited to (1) the risks inherent in the Company's growth strategy,(2) possible changes in Medicare and Medicaid reimbursement rates, (3) dependence on physician referrals, (4) risks associated with operations outside the United States, and (5) the amount of leverage the Company has obligations to pay. The forward-looking statements should be considered in light of these risks and uncertainties.

TOTAL RENAL CARE HOLDINGS, INC.
NORMALIZED INCOME STATEMENT
ADJUSTED FOR UNUSUAL ITEMS

THREE MONTHS ENDED JUNE 30, 1999
(in 000's, except EPS data)

	Actual	Adjustments	Normalized
Net operating revenues	$352,993	$11,000 (a)	$363,993
Operating expenses:			
Facilities	248,530	(4,500)(b)	244,030
General and administrative	30,541	(2,500)(c)	28,041
Provision for doubtful accounts	35,707	(24,000)(a)	11,707
Depreciation & amortization	27,392	--	27,392
Write-off of investments	16,600	(16,600)(d)	0
Total operating expenses	358,770	--	311,170
Operating income (loss)	(5,777)	--	52,823
Interest expense	24,370	--	24,370
Interest income	(1,934)	--	(1,934)
Pre-Tax income (loss)	(28,213)	--	30,387

Income taxes (benefit)	(9,699)	--	11,704
Minority interest	2,521	--	2,521
Net income (loss)	($21,035)	--	$ 16,162
Earnings (loss) per share	($0.26)	--	$ 0.20
Shares outstanding	81,149	--	82,160

(a) $35,000 adjustment to accounts receivable of which $11,000 is related to contractual adjustments and $24,000 is related to an increase in the provision for doubtful accounts.

(b) $4,500 related to the reconciliation of vendor claims.

(c) $2,500 is non-recurring operating expenses including expenses associated with the now-disposed-of corporate jet and the expensing of capitalized acquisition costs for transactions that will not be consummated.

(d) $16,600 write-off of minority investments and loans in dialysis related businesses.

TOTAL RENAL CARE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three months and Six Months ended June 30, 1999 and 1998

	Three Months		Six Months	
	1999	1998	1999	1998
STATEMENTS OF INCOME				
Net operating revenues	$352,993,000	$288,350,000	$705,237,000	$547,099,000
Operating expenses:				
Facilities	248,530,000	183,324,000	483,763,000	350,319,000
General and administrative	30,541,000	17,605,000	53,278,000	34,515,000
Provision for doubtful accounts	35,707,000	7,779,000	46,185,000	14,542,000
Depreciation and amortization	27,392,000	22,805,000	54,417,000	42,399,000
Write-off of investments and loans	16,600,000	--	16,600,000	--
Merger and related costs	--	--	--	79,435,000
Total operating expenses	358,770,000	231,513,000	654,243,000	521,210,000
Operating income (loss)	(5,777,000)	56,837,000	50,994,000	25,889,000
Interest expense, net of capitalized interest	(24,370,000)	(16,544,000)	(47,137,000)	(31,061,000)
Interest rate swap -- early termination costs	--	(9,823,000)	--	(9,823,000)
Interest income	1,934,000	1,022,000	3,264,000	2,664,000
Income (loss) before				

income taxes, minority interests, extraordinary item and cumulative effect of change in accounting principle	(28,213,000)	31,492,000	7,121,000	(12,331,000)
Income taxes	(9,699,000)	12,088,000	3,323,000	12,960,000
Income (loss) before minority interests, extraordinary item and cumulative effect of change in accounting principle	(18,514,000)	19,404,000	3,798,000	(25,291,000)
Minority interests in income of consolidated subsidiaries	2,521,000	1,565,000	4,839,000	2,958,000
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	(21,035,000)	17,839,000	(1,041,000)	(28,249,000)
Extraordinary loss, net of tax of $6,087,000 and $7,688,000	--	9,932,000	--	12,744,000
Cumulative effect of change in accounting principle, net of tax of $4,300,000	--	--	--	6,896,000
Net income (loss)	$(21,035,000)	$7,907,000	$(1,041,000)	$(47,889,000)
Earnings (loss) per common share:				
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	$(0.26)	$0.22	$(0.01)	$(0.35)
Extraordinary loss, net of tax	--	(0.12)	--	(0.16)
Cumulative effect of change in accounting principle, net of tax	--	--	--	(0.09)
Net income (loss)	$(0.26)	$0.10	$(0.01)	$(0.60)
Weighted average number of common shares outstanding	81,148,736	80,714,000	81,125,437	79,692,000
Earnings (loss) per common share -- assuming dilution:				
Income (loss) before extraordinary item and cumulative effect				

of change in accounting principle	$(0.26)	$ 0.22	$(0.01)	$(0.35)
Extraordinary loss, net of tax	--	(0.12)	--	(0.16)
Cumulative effect of change in accounting principle, net of tax	--	--	--	(0.09)
Net income (loss)	$(0.26)	$0.10	$(0.01)	$(0.60)
Weighted average number of common shares and equivalents outstanding -- assuming dilution	81,148,736	87,263,000	81,125,437	79,692,000

SOURCE Total Renal Care Holdings, Inc.

---

https://davita.mediaroom.com/press-releases?item=123064