

RadNet, Inc.
Form 10-Q
August 10, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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 0-19019

RadNet, Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3326724
(I.R.S. Employer
Identification No.)

1510 Cotner Avenue
Los Angeles, California
(Address of principal executive offices)

90025
(Zip Code)

(310) 478-7808

(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 and 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Edgar Filing: RadNet, Inc. - Form 10-Q

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 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

The number of shares of the registrant’s common stock outstanding on July 31, 2009, was 35,924,279 shares.

Table of Contents

RADNET, INC.

INDEX

PART I – FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

Consolidated Balance Sheets at June 30, 2009 and December 31, 2008

Consolidated Statements of Operations for the Three and Six Months ended June 30, 2009 and 2008

Consolidated Statement of Stockholders' Deficit for the Six Months ended June 30, 2009

Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008

Notes to Consolidated Financial Statements

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

ITEM 4. Controls and Procedures

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

ITEM 1A. Risk Factors

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

ITEM 3. Defaults Upon Senior Securities

ITEM 4. Submission of Matters to a Vote of Security Holders

ITEM 5. Other Information

ITEM 6. Exhibits

SIGNATURES

INDEX TO
EXHIBITS

2

PART I – FINANCIAL INFORMATION

RADNET, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS EXCEPT SHARE DATA)

	June 30, 2009 (unaudited)	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$-	\$-
Accounts receivable, net	94,617	96,097
Refundable income taxes	151	103
Prepaid expenses and other current assets	10,343	12,370
Total current assets	105,111	108,570
PROPERTY AND EQUIPMENT, NET	184,643	193,104
OTHER ASSETS		
Goodwill	105,378	105,278
Other intangible assets	55,488	56,861
Deferred financing costs, net	9,567	10,907
Investment in joint ventures	18,677	17,637
Deposits and other	3,424	3,752
Total assets	\$482,288	\$496,109
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$65,363	\$81,175
Due to affiliates	3,538	5,015
Notes payable	7,265	5,501
Current portion of deferred rent	473	390
Obligations under capital leases	15,943	15,064
Total current liabilities	92,582	107,145
LONG-TERM LIABILITIES		
Line of credit	1,406	1,742
Deferred rent, net of current portion	8,287	7,996
Deferred taxes	277	277
Notes payable, net of current portion	419,975	419,735
Obligations under capital lease, net of current portion	20,126	24,238
Other non-current liabilities	17,058	16,006
Total liabilities	559,711	577,139
COMMITMENTS AND CONTINGENCIES		
EQUITY DEFICIT		
Common stock - \$.0001 par value, 200,000,000 shares authorized; 35,924,279 and 35,911,474 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	4	4
Paid-in-capital	155,230	153,006
Accumulated other comprehensive loss	(3,821) (6,396)

Edgar Filing: RadNet, Inc. - Form 10-Q

Accumulated deficit	(228,900)	(227,722)
Total Radnet, Inc.'s equity deficit	(77,487)	(81,108)
Noncontrolling interests	64	78
Total equity deficit	(77,423)	(81,030)
Total liabilities and equity deficit	\$482,288	\$496,109

The accompanying notes are an integral part of these financial statements.

RADNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT SHARE DATA)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
NET REVENUE	\$131,146	\$126,559	\$259,149	\$240,456
OPERATING EXPENSES				
Operating expenses	99,716	97,886	196,729	186,852
Depreciation and amortization	13,212	14,071	26,386	26,540
Provision for bad debts	8,369	7,088	16,343	13,575
Loss (gain) on sale of equipment	277	(38)	303	(30)
Severance costs	340	4	357	35
Total operating expenses	121,914	119,011	240,118	226,972
INCOME FROM OPERATIONS	9,232	7,548	19,031	13,484
OTHER EXPENSES (INCOME)				
Interest expense	12,326	12,516	25,348	26,104
Gain on bargain purchase	(1,387)	-	(1,387)	-
Other expenses (income)	1,044	(21)	1,241	(53)
Total other expenses	11,983	12,495	25,202	26,051
LOSS BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF JOINT VENTURES				
Provision for income taxes	(13)	(14)	(50)	(137)
Equity in earnings of joint ventures	2,453	2,837	5,088	5,129
NET LOSS	(311)	(2,124)	(1,133)	(7,575)
Net income attributable to noncontrolling interests	25	25	45	49
NET LOSS ATTRIBUTABLE TO RADNET, INC. COMMON SHAREHOLDERS	\$(336)	\$(2,149)	\$(1,178)	\$(7,624)
BASIC AND DILUTED NET LOSS PER SHARE ATTRIBUTABLE TO RADNET, INC. COMMON SHAREHOLDERS				
	\$(0.01)	\$(0.06)	\$(0.03)	\$(0.21)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic and diluted	35,924,279	35,671,554	35,920,246	35,616,298

The accompanying notes are an integral part of these financial statements.

RADNET, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF EQUITY DEFICIT
 (IN THOUSANDS EXCEPT SHARE DATA)
 (unaudited)

	Common Shares	Stock Amount	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Radnet, Inc.'s Equity Deficit	Non- controlling Interests	Total Equity Deficit
BALANCE - JANUARY 1, 2009	35,911,474	\$4	\$153,006	\$ (227,722)	\$ (6,396)	\$(81,108)	\$ 78	\$(81,030)
Issuance of common stock upon exercise of options/warrants	12,805	-	-	-	-	-	-	-
Share-based compensation	-	-	2,224	-	-	2,224	-	-