

May 2, 2012



# LHC Group Announces First Quarter 2012 Results

## Highlights:

- Net service revenue was \$158.8 million for the first quarter of 2012; and
- Diluted earnings per share was \$0.42 for the first quarter of 2012; and
- Organic growth in total new home health admissions was 5.6% for the first quarter of 2012.

LAFAYETTE, La., May 2, 2012 (GLOBE NEWSWIRE) -- LHC Group Inc. (Nasdaq:LHCG), a national provider of post-acute care services, announced today its financial results for the three months ended March 31, 2012.

## Financial Results for the First Quarter

- Net service revenue for the first quarter of 2012 was \$158.8 million compared with \$161.8 million for the same period in 2011.
- Net income attributable to LHC Group for the first quarter of 2012 was \$7.7 million, including \$413,000, after tax, of expense associated with the strategic alternatives process announced on February 14, 2012, compared with \$7.7 million for the same period in 2011.
- Diluted earnings per share was \$0.42 for the first quarter of 2012, including \$0.02 per diluted share, after tax, of expense associated with the strategic alternatives process, compared with \$0.42 for the same period in 2011.

In commenting on the results, Keith G. Myers, Chief Executive Officer of LHC Group, said, "I am extremely proud of the strong and well-balanced operating results our team has delivered once again during the first quarter. I am particularly proud of our ability to lower general and administrative costs, which have decreased approximately \$4 million as compared with the first quarter of 2011, and our organic growth rate in total new admissions of 5.6% over the first quarter of 2011. I would like to congratulate and thank our entire team for their unwavering commitment to excellence and for consistently delivering the highest quality of care to the growing number of patients, families and communities we serve. As we look ahead to the remainder of 2012 and beyond, we are well prepared and well positioned to continue improving our operating results by controlling cost and capitalizing on the opportunities we see ahead for both internal and external volume growth."

## Guidance

The Company is reaffirming its full year 2012 guidance issued on January 4, 2012, for net service revenue of \$640 million to \$660 million and fully diluted earnings per share in the range of \$1.45 to \$1.65. This guidance does not take into account the impact of any future acquisitions or share repurchases, if made, *de novo* locations, if opened, future reimbursement changes, if any, future legal or other expenses associated with the Company's ongoing investigations or costs associated with its previously announced review of strategic alternatives.

## **Conference Call**

LHC Group will host a conference call on Thursday, May 3, 2012, at 11:00 a.m. Eastern time to discuss its first quarter 2012 results. The toll-free number to call for this interactive teleconference is (866) 393-1608 (international callers should call 973-890-8327). A telephonic replay of the conference call will be available through midnight on Thursday, May 10, 2012, by dialing (855) 859-2056 (international callers should call 404-537-3406) and entering confirmation number 70120400. A live broadcast of LHC Group's conference call will be available under the Investor Relations section of the Company's website, [www.LHCGroup.com](http://www.LHCGroup.com). A one-year online replay will be available approximately an hour following the conclusion of the live broadcast.

## **About LHC Group Inc.**

[LHC Group Inc.](http://www.LHCGroup.com) is a national provider of home health and hospice services, providing quality, cost-effective health care to patients within the comfort and privacy of their home or place of residence. LHC Group provides a comprehensive array of post-acute healthcare services through home health, hospice and private duty locations in its home-based division and long-term acute care hospitals in its facility-based division.

*Certain matters discussed in this press release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements about the Company's future financial performance and the strength of the Company's operations. Such forward-looking statements may be identified by words such as "continue," "expect," and similar expressions. Forward-looking statements involve a number of risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements, including changes in reimbursement, changes in government regulations, changes in LHC Group's relationships with referral sources, increased competition for LHC Group's services, increased competition for joint venture and acquisition candidates, changes in the interpretation of government regulations, and other risks set forth in Item 1A. Risk Factors in LHC Group's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission. LHC Group undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

**LHC GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

*(amounts in thousands, except share data)*

*(unaudited)*

|   | <b>March<br/>31,<br/>2012</b> | <b>Dec. 31,<br/>2011</b> |
|---|-------------------------------|--------------------------|
| <b>ASSETS</b>   |                               |                          |
| Current assets:   |                               |                          |
| Cash  | \$ 341                        | \$ 256                   |
| Receivables:  |                               |                          |
| Patient accounts receivable, less allowance for uncollectible accounts of \$11,515 and \$10,692, respectively | 91,919                        | 91,183                   |
| Other receivables   | 1,485                         | 1,636                    |
| Amounts due from governmental entities  | <u>502</u>                    | <u>315</u>               |
| Total receivables, net  | 93,906                        | 93,134                   |
| Deferred income taxes   | 8,922                         | 7,269                    |
| Prepaid income taxes  | 8,088                         | 26,667                   |
| Prepaid expenses  | 6,705                         | 6,576                    |
| Other current assets  | <u>3,634</u>                  | <u>4,363</u>             |
| Total current assets  | 121,596                       | 138,265                  |
| Property, building and equipment, net of accumulated depreciation of \$29,771 and \$28,073, respectively      | 27,618                        | 28,182                   |
| Goodwill  | 164,731                       | 164,731                  |
| Intangible assets, net of accumulated amortization of \$2,520 and \$2,325, respectively                       | 60,894                        | 59,389                   |
| Other assets  | <u>5,209</u>                  | <u>5,809</u>             |
| Total assets  | <u>\$ 380,048</u>             | <u>\$ 396,376</u>        |

#### LIABILITIES AND STOCKHOLDERS' EQUITY

|   |                   |                   |
|---|-------------------|-------------------|
| Current liabilities:  |                   |                   |
| Accounts payable and other accrued liabilities  | \$ 22,653         | \$ 23,119         |
| Salaries, wages and benefits payable  | 20,610            | 25,571            |
| Self insurance payable  | 5,557             | 5,612             |
| Amounts due to governmental entities  | <u>3,241</u>      | <u>3,234</u>      |
| Total current liabilities   | 52,061            | 57,536            |
| Deferred income taxes   | 23,823            | 22,523            |
| Income tax payable  | 3,415             | 3,415             |
| Revolving credit facility   | <u>14,213</u>     | <u>34,820</u>     |
| Total liabilities   | 93,512            | 118,294           |
| Noncontrolling interest- redeemable   | 11,255            | 11,348            |
| Stockholders' equity:   |                   |                   |
| Common stock – \$0.01 par value: 40,000,000 shares authorized; 21,510,139 and 21,374,264 shares issued and 18,412,163 and 18,298,659 shares outstanding, respectively | 183               | 183               |
| Treasury stock – 3,097,976 and 3,075,605 shares at cost, respectively   | (6,644)           | (6,216)           |
| Additional paid-in capital  | 97,409            | 95,964            |
| Retained earnings   | <u>181,493</u>    | <u>173,752</u>    |
| Total LHC Group Inc. stockholders' equity   | 272,441           | 263,683           |
| Noncontrolling interest- non-redeemable   | <u>2,840</u>      | <u>3,051</u>      |
| Total equity  | <u>275,281</u>    | <u>266,734</u>    |
| Total liabilities and stockholders' equity  | <u>\$ 380,048</u> | <u>\$ 396,376</u> |

## CONSOLIDATED STATEMENTS OF INCOME

*(amounts in thousands, except share and per share data)*

*(unaudited)*

|   | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2012</b>                             | <b>2011</b> |
| Net service revenue   | \$ 158,761                              | \$ 161,783  |
| Cost of service revenue   | 89,859                                  | 88,956      |
| Gross margin  | 68,902                                  | 72,827      |
| Provision for bad debts   | 2,761                                   | 2,562       |
| General and administrative expenses                             | 50,882                                  | 55,040      |
| Operating income  | 15,259                                  | 15,225      |
| Interest expense  | (359)                                   | (94)        |
| Non-operating income  | 65                                      | 172         |
| Income before income taxes and noncontrolling interest          | 14,965                                  | 15,303      |
| Income tax expense  | 5,226                                   | 5,161       |
| Net income  | 9,739                                   | 10,142      |
| Less net income attributable to noncontrolling interest         | 1,998                                   | 2,448       |
| Net income attributable to LHC Group Inc.'s common stockholders | \$ 7,741                                | \$ 7,694    |

Earnings per share – basic and diluted:

|   |         |         |
|---|---------|---------|
| Net income attributable to LHC Group Inc.'s common stockholders | \$ 0.42 | \$ 0.42 |
|---|---------|---------|

Weighted average shares outstanding:

|         |            |            |
|---------|------------|------------|
| Basic   | 18,333,838 | 18,215,831 |
| Diluted | 18,399,608 | 18,351,637 |

## LHC GROUP INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

*(amounts in thousands)*

*(unaudited)*

|   | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2012</b>                             | <b>2011</b> |
| <b>Operating activities</b>   |   |             |
| Net income  | \$ 9,739                                | \$ 10,142   |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: |   |             |
| Depreciation and amortization expense   | 1,919                                   | 2,017       |
| Provision for bad debts   | 2,761                                   | 2,562       |
| Stock-based compensation expense  | 1,408                                   | 1,010       |
| Deferred income taxes   | (353)                                   | 2,651       |
| Changes in operating assets and liabilities, net of acquisitions:                           |   |             |
| Receivables   | (3,774)                                 | (1,540)     |
| Prepaid expenses, other assets  | 1,200                                   | 6,615       |
| Prepaid income taxes  | 18,349                                  | (4,337)     |

|  |                 |                 |
|--|-----------------|-----------------|
| Accounts payable and accrued expenses  | (5,484)         | (335)           |
| Net amounts due to/from governmental entities  | <u>(180)</u>    | <u>(448)</u>    |
| Net cash provided by operating activities  | <u>25,585</u>   | <u>18,337</u>   |
| <b>Investing activities</b>  |                 |                 |
| Purchases of property, building, and equipment   | (1,160)         | (3,493)         |
| Cash paid for acquisitions, primarily goodwill and intangible assets and advance payment on acquisitions | <u>(1,700)</u>  | <u>(10,892)</u> |
| Net cash used in investing activities  | <u>(2,860)</u>  | <u>(14,385)</u> |
| <b>Financing activities</b>  |                 |                 |
| Proceeds from line of credit   | 26,879          | 36,935          |
| Payments on line of credit   | (47,486)        | (36,935)        |
| Payments on capital leases   | –               | (10)            |
| Excess tax benefits from vesting of restricted stock   | –               | 319             |
| Proceeds from employee stock purchase plan   | 189             | 231             |
| Noncontrolling interest distributions  | (2,302)         | (4,140)         |
| Purchase of additional controlling interest  | –               | (252)           |
| Sale of noncontrolling interest  | <u>80</u>       | <u>–</u>        |
| Net cash used in financing activities  | <u>(22,640)</u> | <u>(3,852)</u>  |
| Change in cash   | 85              | 100             |
| Cash at beginning of period  | <u>256</u>      | <u>288</u>      |
| Cash at end of period  | <u>\$ 341</u>   | <u>\$ 388</u>   |
| <b>Supplemental disclosures of cash flow information</b>   |                 |                 |
| Interest paid  | <u>\$ 359</u>   | <u>\$ 94</u>    |
| Income taxes paid  | <u>\$ 243</u>   | <u>\$ 6,556</u> |

**LHC GROUP INC. AND SUBSIDIARIES**

**SEGMENT INFORMATION**

*(amounts in thousands)*

*(unaudited)*

|  | <b>Three Months Ended</b>           |   |               |
|--|-------------------------------------|---|---------------|
|  | <b>March 31, 2012</b>               |   |               |
|  | <b>Home-<br/>Based<br/>Services</b> | <b>Facility-<br/>Based<br/>Services</b> | <b>Total</b>  |
| Net service revenue                                    | \$ 139,595                          | \$ 19,166                               | \$ 158,761    |
| Cost of service revenue                                | 79,061                              | 10,798                                  | 89,859        |
| Provision for bad debts                                | 2,623                               | 138                                     | 2,761         |
| General and administrative expenses                    | <u>45,226</u>                       | <u>5,656</u>                            | <u>50,882</u> |
| Operating income                                       | 12,685                              | 2,574                                   | 15,259        |
| Interest expense                                       | (323)                               | (36)                                    | (359)         |
| Non-operating income, including gain on sale of assets | <u>53</u>                           | <u>12</u>                               | <u>65</u>     |
| Income before income taxes and noncontrolling interest | 12,415                              | 2,550                                   | 14,965        |
| Income tax expense                                     | <u>4,731</u>                        | <u>495</u>                              | <u>5,226</u>  |

|   |                 |                 |                 |
|---|-----------------|-----------------|-----------------|
| Net income                                | 7,684           | 2,055           | 9,739           |
| Noncontrolling interest                   | <u>1,692</u>    | <u>306</u>      | <u>1,998</u>    |
| Net income attributable to LHC Group Inc. | <u>\$ 5,992</u> | <u>\$ 1,749</u> | <u>\$ 7,741</u> |

Total assets \$ 345,287 \$ 34,761 \$ 380,048

|  | <b>Three Months Ended<br/>March 31, 2011</b> |   |                 |
|--|--|---|-----------------|
|  | <b>Home-<br/>Based<br/>Services</b>          | <b>Facility-<br/>Based<br/>Services</b> | <b>Total</b>    |
| Net service revenue                                    | \$ 141,801                                   | \$ 19,982                               | \$ 161,783      |
| Cost of service revenue                                | 77,089                                       | 11,867                                  | 88,956          |
| Provision for bad debts                                | 2,408  | 154                                     | 2,562           |
| General and administrative expenses                    | <u>50,063</u>                                | <u>4,977</u>                            | <u>55,040</u>   |
| Operating income                                       | 12,241                                       | 2,984                                   | 15,225          |
| Interest expense                                       | (85)   | (9)                                     | (94)            |
| Non-operating income, including gain on sale of assets | <u>150</u>                                   | <u>22</u>                               | <u>172</u>      |
| Income before income taxes and noncontrolling interest | 12,306                                       | 2,997                                   | 15,303          |
| Income tax expense                                     | <u>4,678</u>                                 | <u>483</u>                              | <u>5,161</u>    |
| Net income   | 7,628  | 2,514                                   | 10,142          |
| Noncontrolling interest                                | <u>2,095</u>                                 | <u>353</u>                              | <u>2,448</u>    |
| Net income attributable to LHC Group Inc.              | <u>\$ 5,533</u>                              | <u>\$ 2,161</u>                         | <u>\$ 7,694</u> |
| Total assets   | \$ 331,539                                   | \$ 35,723                               | \$ 367,262      |

**LHC GROUP INC. AND SUBSIDIARIES**  
**SELECT CONSOLIDATED KEY STATISTICAL AND FINANCIAL DATA**  
*(unaudited)*

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2012</b>                             | <b>2011</b> |
| <b>Key Data:</b>   |   |             |
| <b>Home-Based Services:</b>  |   |             |
| Home Health  |   |             |
| Locations  | 246                                     | 259         |
| Acquired   | 0                                       | 3           |
| <i>De novo</i>   | 1                                       | 7           |
| Total new admissions   | 27,696                                  | 26,194      |
| Medicare new admissions  | 19,046                                  | 18,589      |
| Average weekly census  | 32,608                                  | 34,466      |
| Average Medicare weekly census                                       | 24,689                                  | 26,570      |
| Medicare completed and billed episodes                               | 41,287                                  | 42,066      |
| Average Medicare case mix for completed and billed Medicare episodes | 1.255                                   | 1.259       |
| Average reimbursement per completed and billed Medicare episodes     | \$ 2,345                                | \$ 2,383    |
| Total visits   | 836,279                                 | 879,935     |

|   |         |         |
|---|---------|---------|
| Total Medicare visits                                     | 609,007 | 666,185 |
| Average visits per completed and billed Medicare episodes | 14.8    | 15.8    |
| Organic growth (1):                                       |         |         |
| Net revenue   | -2.9%   | 3.7%    |
| Net Medicare revenue                                      | -6.1%   | 1.3%    |
| Total new admissions                                      | 5.6%    | 11.8%   |
| Medicare new admissions                                   | 2.1%    | 8.5%    |
| Average weekly census                                     | -6.0%   | 7.1%    |
| Average Medicare weekly census                            | -7.7%   | 3.6%    |
| Medicare completed and billed episodes                    | -2.4%   | 4.3%    |
| Hospice   |         |         |
| Locations   | 32      | 29      |
| Acquired  | 0       | 5       |
| Admissions  | 1,109   | 919     |
| Average Daily Census                                      | 934     | 833     |
| Patient Days  | 84,964  | 75,001  |
| Average revenue per patient day                           | \$ 139  | \$ 139  |

**Facility-Based Services:**

|                                 |          |          |
|---------------------------------|----------|----------|
| Long-term Acute Care            |          |          |
| Locations                       | 9        | 9        |
| Patient days                    | 16,191   | 15,333   |
| Patient acuity mix              | 1.022    | 1.014    |
| Average revenue per patient day | \$ 1,156 | \$ 1,208 |

(1) Organic growth is calculated as the sum of same store plus *de novo* for the period divided by total from the same period in the prior year.

**LHC GROUP INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME**  
*(unaudited)*

During the quarter, the Company spent \$413,000, after tax, on costs associated with the previously announced strategic alternatives process. In order to reflect the operational performance of the Company during the quarter excluding these costs, Company representatives may be asked to provide adjusted net income for the quarter excluding such costs. In the event the Company provides such information, the adjusted net income presented would be a non-GAAP financial measure determined as follows: net income excluding costs related to our previously announced strategic alternatives process. The Company believes adjusted net income would provide investors with helpful information with respect to the performance of the Company's ongoing operations and management is using adjusted net income to evaluate its ongoing operations and for internal planning and forecasting purposes. Adjusted net income is not a measure of liquidity. See the tables below which reconcile net income to adjusted net income and GAAP earnings per share to adjusted earnings per share.

|  |  |
|--|--|
|  | <b>For The<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2012</b> |
| Adjusted net income attributable to LHC Group: |  |
| Net income attributable to LHC Group Inc.      | \$ 7,741   |

|  |                        |
|--|------------------------|
| Add: Costs for strategic alternatives process, net of tax <sup>(1)</sup> | <u>413</u>             |
| Adjusted Net income attributable to LHC Group Inc.                       | <u><u>\$ 8,154</u></u> |

Adjusted net income attributable to LHC Group per diluted share:

|  |                       |
|--|-----------------------|
| Net income attributable to LHC Group Inc.                                | \$ 0.42               |
| Add: Costs for strategic alternatives process, net of tax <sup>(1)</sup> | <u>0.02</u>           |
| Adjusted Net income attributable to LHC Group Inc.                       | <u><u>\$ 0.44</u></u> |

(1) In the first quarter of 2012, the Company spent \$413,000 after tax on costs related to the previously announced strategic alternatives process.

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Source: LHC Group