

TIVITY HEALTH, INC.  
Form 10-Q  
November 03, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended September 30, 2017  
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 000-19364

TIVITY HEALTH, INC.  
(Exact name of registrant as specified in its charter)

Delaware 62-1117144  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

701 Cool Springs Boulevard, Franklin, TN 37067  
(Address of principal executive offices) (Zip  
code)

(615) 614-4929  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was

required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Smaller reporting company
Non-accelerated filer	(Do not check if a smaller reporting company)	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

As of October 31, 2017, there were outstanding 39,616,901 shares of the registrant's common stock, par value \$.001 per share ("common stock").

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## PART I

## Item 1. Financial Statements

TIVITY HEALTH, INC.  
 CONSOLIDATED BALANCE SHEETS  
 (In thousands)  
 (Unaudited)

## ASSETS

	September 30, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 4,908	\$ 1,602
Accounts receivable, net	53,833	50,424
Prepaid expenses	3,571	3,409
Other current assets	2,124	2,250
Cash convertible notes hedges, current	166,473	—
Income taxes receivable	—	426
Total current assets	230,909	58,111
Property and equipment:		
Leasehold improvements	10,374	10,144
Computer equipment and related software	22,490	23,024
Furniture and office equipment	8,184	8,670
Capital projects in process	3,311	2,079
	44,359	43,917
Less accumulated depreciation	(34,173 )	(35,586 )
	10,186	8,331
Other assets	13,436	6,688
Cash convertible notes hedges, long-term	—	48,361
Long-term deferred tax asset	38,556	59,562
Intangible assets, net	29,049	29,049
Goodwill, net	334,680	334,680
Total assets	\$ 656,816	\$ 544,782

See accompanying notes to the Consolidated Financial Statements.

TIVITY HEALTH, INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share data)  
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2017	December 31, 2016
Current liabilities:		
Accounts payable	\$ 27,121	\$ 26,029
Accrued salaries and benefits	10,543	18,686
Accrued liabilities	31,926	33,623
Other current liabilities	731	397
Cash conversion derivative, current	166,473	—
Current portion of long-term debt	144,064	46,046
Current portion of long-term liabilities	2,709	7,582
Total current liabilities	383,567	132,363
Long-term debt	4,955	164,297
Cash conversion derivative, long-term	—	48,361
Other long-term liabilities	5,606	10,463
Stockholders' equity:		
Preferred stock \$.001 par value, 5,000,000 shares authorized, none outstanding	—	—
Common stock \$.001 par value, 120,000,000 shares authorized, 39,551,278 and 38,933,580 shares outstanding, respectively	39	39
Additional paid-in capital	348,462	341,270
Accumulated deficit	(57,631 )	(119,327)
Treasury stock, at cost, 2,254,953 shares in treasury	(28,182 )	(28,182 )
Accumulated other comprehensive loss	—	(4,502 )
Total stockholders' equity	262,688	189,298
Total liabilities and stockholders' equity	\$ 656,816	\$ 544,782

See accompanying notes to the Consolidated Financial Statements.

TIVITY HEALTH, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except earnings (loss) per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues	\$ 137,703	\$ 125,049	\$ 417,588	\$ 376,065
Cost of services (exclusive of depreciation and amortization of \$699, \$1,334, \$2,003 and \$4,548, respectively, included below)	94,539	89,153	296,009	269,411
Selling, general & administrative expenses	7,838	10,406	24,376	29,924
Depreciation and amortization	850	1,603	2,426	5,352
Restructuring and related charges	(16 )	1,129	669	1,170
Operating income	34,492	22,758	94,108	70,208
Interest expense	4,203	4,833	12,167	13,115
Income before income taxes	30,289	17,925		