

QUEST DIAGNOSTICS INC

Form 10-Q

April 24, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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 March 31, 2013

Commission file number 001-12215

Quest Diagnostics Incorporated

Three Giralda Farms

Madison, NJ 07940

(973) 520-2700

Delaware

(State of Incorporation)

16-1387862

(I.R.S. Employer Identification Number)

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 Web site, 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. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

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 ☒

As of April 19, 2013, there were outstanding 158,029,409 shares of the registrant's common stock, \$.01 par value.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012
(unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2013	2012
Net revenues	\$1,786,647	\$1,908,697
Operating costs and expenses:		
Cost of services	1,091,834	1,109,164
Selling, general and administrative	447,869	483,252
Amortization of intangible assets	19,284	18,825
Other operating expense (income), net	666	(363)
Total operating costs and expenses	1,559,653	1,610,878
Operating income	226,994	297,819
Other income (expense):		
Interest expense, net	(39,865)	(42,102)
Equity earnings in unconsolidated joint ventures	6,146	7,609
Other income, net	3,391	4,756
Total non-operating expenses, net	(30,328)	(29,737)
Income from continuing operations before taxes	196,666	268,082
Income tax expense	73,337	102,562
Income from continuing operations	123,329	165,520
Income from discontinued operations, net of taxes	20,288	2,995
Net income	143,617	168,515
Less: Net income attributable to noncontrolling interests	7,838	9,397
Net income attributable to Quest Diagnostics	\$135,779	\$159,118
Amounts attributable to Quest Diagnostics' stockholders:		
Income from continuing operations	\$115,491	\$156,123
Income from discontinued operations, net of taxes	20,288	2,995
Net income	\$135,779	\$159,118
Earnings per share attributable to Quest Diagnostics' common stockholders - basic:		
Income from continuing operations	\$0.73	\$0.98
Income from discontinued operations	0.13	0.02
Net income	\$0.86	\$1.00
Earnings per share attributable to Quest Diagnostics' common stockholders - diluted:		
Income from continuing operations	\$0.72	\$0.97
Income from discontinued operations	0.13	0.02

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Net income	\$0.85	\$0.99
Weighted average common shares outstanding:		
Basic	158,098	158,293
Diluted	159,406	159,706
Dividends per common share	\$0.30	\$0.17

The accompanying notes are an integral part of these statements.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(unaudited)

(in thousands)

	Three Months Ended March 31,	
	2013	2012
Net income	\$143,617	\$168,515
Other comprehensive income (loss):		
Currency translation	(4,387)) 18,216
Market valuation, net of tax	(58)) 201
Net deferred loss on cash flow hedges, net of tax	210	210
Other	10	—
Other comprehensive income (loss)	(4,225)) 18,627
Comprehensive income	139,392	187,142
Less: Comprehensive income attributable to noncontrolling interests	7,838	9,397
Comprehensive income attributable to Quest Diagnostics	\$131,554	\$177,745
The accompanying notes are an integral part of these statements.		

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2013 AND DECEMBER 31, 2012

(in thousands, except per share data)

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 133,603	\$ 295,586
Accounts receivable, net of allowance for doubtful accounts of \$238,574 and \$235,747 at March 31, 2013 and December 31, 2012, respectively	929,966	867,010
Inventories	89,817	