

MEDIFAST INC
Form 10-Q
November 10, 2008

**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, 2008

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 0-23016

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

Delaware
(State or other jurisdiction
of organization)

13-3714405
(I.R.S. employer
Identification no.)

**11445 Cronhill Drive
Owings Mills, MD 21117
Telephone Number (410) 581-8042**

Indicate by checkmark 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common stock, \$.001 par value per share

**Outstanding at
November 6, 2008**
14,332,210 shares

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Part I

Financial Information:

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MEDIFAST, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2008 (Unaudited) | December 31, 2007 (Audited) |
|---|-----------------------------------|--------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,091,000 | \$ 2,195,000 |
| Accounts receivable-net of allowance for doubtful accounts of \$100,000 | 482,000 | 493,000 |
| Inventory | 11,755,000 | 9,181,000 |
| Investment securities | 1,139,000 | 1,439,000 |
| Deferred compensation | 687,000 | 814,000 |
| Prepaid expenses and other current assets | 2,884,000 | 2,727,000 |
| Prepaid income tax | 757,000 | - |
| Note receivable - current | 180,000 | 180,000 |
| Deferred tax asset | 100,000 | 100,000 |
| Total Current Assets | 20,075,000 | 17,129,000 |
| Property, plant and equipment - net | 20,969,000 | 17,031,000 |
| Trademarks and intangibles - net | 5,972,000 | 7,356,000 |
| Deferred tax asset, net of current portion | 897,000 | 897,000 |
| Note receivable, net of current portion | 1,113,000 | 1,212,000 |
| Other assets | 350,000 | 99,000 |
| TOTAL ASSETS | \$ 49,376,000 | \$ 43,724,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 4,592,000 | \$ 4,279,000 |
| Income taxes payable | - | 592,000 |
| Line of credit | 3,131,000 | 1,599,000 |
| Current maturities of long-term debt | 257,000 | 264,000 |
| Total Current liabilities | 7,980,000 | 6,734,000 |
| Long-term debt, net of current liabilities | 4,377,000 | 4,570,000 |
| Total liabilities | 12,357,000 | 11,304,000 |
| Stockholders' equity: | | |
| Common stock; par value \$.001 per share; 20,000,000 authorized; 14,332,210 and 13,709,098 shares issued and outstanding, respectively | 14,000 | 14,000 |
| Additional paid-in capital | 29,870,000 | 26,953,000 |
| Accumulated other comprehensive income (loss) | (209,000) | 321,000 |
| Retained earnings | 14,304,000 | 9,818,000 |
| | 43,979,000 | 37,106,000 |
| Less: cost of 286,478 and 270,534 shares of common stock in treasury, respectively | (2,013,000) | (1,971,000) |
| Less: unearned compensation | (4,947,000) | (2,715,000) |
| Total Stockholders' Equity | 37,019,000 | 32,420,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 49,376,000 | \$ 43,724,000 |

See accompanying notes to condensed consolidated financial statements.

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MEDIFAST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------------|--|-------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenue | \$ 27,281,000 | \$ 21,846,000 | \$ 79,987,000 | \$ 63,975,000 |
| Cost of sales | 6,522,000 | 5,523,000 | 19,299,000 | 15,944,000 |
| Gross Profit | 20,759,000 | 16,323,000 | 60,688,000 | 48,031,000 |
| Selling, general, and administration | 18,363,000 | 14,766,000 | 53,820,000 | 43,116,000 |
| Income from operations | 2,396,000 | 1,557,000 | 6,868,000 | 4,915,000 |
| Other income/(expense) | | | | |
| Interest expense, net | (50,000) | (159,000) | (159,000) | (284,000) |
| DaVita Inc. Common Stock Fund | 42,526 | 42,526 | — | — |
| Total participant directed investments at fair value | \$ 1,248,829 | \$ 1,162,819 | \$ 86,010 | \$ — |

The investments in registered investment company funds are recorded at fair value based upon quoted market prices as reported by each investment fund.

Investments in common commingled trust funds are recorded at fair value using the price at which participants are able to transact under the terms of the Plan as measured and available for redemption on a daily basis by the common commingled trust fund managers to meet benefit payments and other participant initiated withdrawals. The Plan is required to provide 12 months' advance written notice to the trustee prior to redemption of trust units upon withdrawal from the fund. There are no restrictions related to the redemption notice period and there were no unfunded commitments at December 31, 2017. See (2)(c) under Summary of Significant Accounting Policies for further discussions.

DaVita Inc. Common Stock Fund is recorded at fair value based upon quoted market prices as reported by the New York Stock Exchange. See (2)(c) under Summary of Significant Accounting Policies for further discussion.

The methods used for determining fair value may not be reflective of the actual values that will be received upon settlement of the securities due to fluctuations in the market. However, the Plan Management believes the methods used to measure the fair value of its assets are appropriate and are based upon relevant market factors such as quoted prices or observable market inputs. The use of different methods or assumptions could result in a different fair value measurement at the reporting date.

DAVITA RETIREMENT SAVINGS PLAN

Notes to the Financial Statements

December 31, 2017 and 2016

(dollars in thousands)

(7) Reconciliation of Plan Financial Statements to the Form 5500

The following is a reconciliation of the financial statements to the Form 5500 at December 31, 2017 and 2016:

| | 2017 | 2016 |
|---|-------------|-------------|
| Net income: | | |
| Net increase before transfer of assets per financial statements | \$324,892 | \$166,239 |
| Deemed distributions | (1,333) | (887) |
| Net income per form 5500 | \$323,559 | \$165,352 |
| Net assets available for benefits: | | |
| Net assets available for benefits per financial statements | \$1,661,145 | \$1,314,235 |
| Deemed distributions | (2,220) | (887) |
| Net assets available for benefits per form 5500 | \$1,658,925 | \$1,313,348 |

(8) Subsequent Events

Subsequent events have been evaluated through the date the financial statements were issued and include all necessary disclosures.

Effective January 1, 2018 the Company amended and restated the Plan. The amended and restated Plan implemented a 401(k) matching program under which the Company will make discretionary matching contributions equal to 50% of an employee's contributions up to 6% of the employee's salary, subject to certain limitations. The matching contributions will be subject to certain eligibility, vesting and allocation conditions.

DAVITA RETIREMENT SAVINGS PLAN

Schedule I

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2017

(dollars in thousands)

| Identity of issuer, borrower, lessor, or similar party | Description of investment | Current value |
|--|---|---------------|
| Common Commingled Trust Funds: | | |
| T. Rowe Price | T. Rowe Price Stable Value Fund (Class B) | \$84,444 |
| *Voya | Voya Small Cap Growth Trust Fund | 12,029 |
| T. Rowe Price | T. Rowe Price Retirement 2005 Trust (Class B) | 3,434 |
| T. Rowe Price | T. Rowe Price Retirement 2010 Trust (Class B) | 9,231 |
| T. Rowe Price | T. Rowe Price Retirement 2015 Trust (Class B) | 43,419 |
| T. Rowe Price | T. Rowe Price Retirement 2020 Trust (Class B) | 132,060 |
| T. Rowe Price | T. Rowe Price Retirement 2025 Trust (Class B) | 143,663 |
| T. Rowe Price | T. Rowe Price Retirement 2030 Trust (Class B) | 148,648 |
| T. Rowe Price | T. Rowe Price Retirement 2035 Trust (Class B) | 161,078 |
| T. Rowe Price | T. Rowe Price Retirement 2040 Trust (Class B) | 130,756 |
| T. Rowe Price | T. Rowe Price Retirement 2045 Trust (Class B) | 89,132 |
| T. Rowe Price | T. Rowe Price Retirement 2050 Trust (Class B) | 63,697 |
| T. Rowe Price | T. Rowe Price Retirement 2055 Trust (Class B) | 36,244 |
| T. Rowe Price | T. Rowe Price Retirement 2060 Trust (Class B) | 857 |
| Registered Investment Company Funds: | | |
| MetWest | MetWest Total Return Bond Fund | 17,667 |
| Vanguard | Vanguard Total Bond Market Index Fund | 84,082 |
| Vanguard | Vanguard Institutional Index Fund | 137,194 |
| T. Rowe Price | T. Rowe Price Institutional Large-Cap Growth Fund | 33,783 |
| Vanguard | Vanguard Extended Market Index Institutional Fund | 75,975 |
| Dodge and Cox | Dodge & Cox Stock Fund | 14,503 |
| American Funds | American Funds EuroPacific Growth Fund | 13,406 |
| Vanguard | Vanguard Total International Stock Index Fund | 105,517 |
| Common Stock: | | |
| *DaVita Inc. | DaVita Inc. Common Stock Fund | 39,385 |
| *Participant loans | 3.25% - 10.50% maturing through December 2038 | 72,294 |
| | Total | \$1,652,498 |

* Represents a party-in-interest

See accompanying report of independent registered public accounting firm.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

DAVITA
RETIREMENT SAVINGS PLAN

By: /s/ Cynthia Baxter

Cynthia Baxter
Designated Representative of the Plan Administrator

Date: June 22, 2018

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Plan Administrative Committee
DaVita Retirement Savings Plan:

We consent to the incorporation by reference in the registration statement (No. 333-158220) on Form S-8 of DaVita Inc. of our report dated June 22, 2018, with respect to the statements of net assets available for benefits of the DaVita Retirement Savings Plan as of December 31, 2017 and 2016, the related statements of changes in net assets available for benefits for the years then ended, and the related supplemental schedule H, line 4i – schedule of assets (held at end of year) as of December 31, 2017, which report appears in the December 31, 2017 annual report on Form 11-K of the DaVita Retirement Savings Plan.

/s/ KPMG LLP
Seattle, Washington
June 22, 2018