
Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 2, 2018

AAC HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction
of Incorporation)

001-36643
(Commission
File Number)

35-2496142
(IRS Employer
Identification No.)

200 Powell Place
Brentwood, Tennessee
(Address of Principal Executive Offices)

37027
(Zip Code)

(615) 732-1231
(Registrant's Telephone Number, Including Area Code)
Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 2.02. Results of Operations and Financial Condition.

On May 2, 2018, AAC Holdings, Inc. (the “Company”) issued a press release (the “Press Release”) announcing the results of operations for the first quarter ended March 31, 2018. A copy of the Press Release is furnished herewith as Exhibit 99.1.

In accordance with General Instructions B.2 and B.6 of Form 8-K, the information included in this Current Report on Form 8-K (including Exhibit 99.1 hereto) shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing made by the Company under the Exchange Act or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

[99.1 Press Release, dated May 2, 2018](#)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AAC HOLDINGS, INC

By: /s/ Michael T. Cartwright
Michael T. Cartwright
Chairman and Chief Executive Officer

Date: May 2, 2018

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1



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AmericanAddictionCenters.org

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AAC Holdings, Inc. Reports First Quarter 2018 Results

*Early stages of AdCare integration proving successful
Quarter in-line with Company expectations ahead of back half 2018 growth targets*

BRENTWOOD, Tenn., May 2, 2018 - AAC Holdings, Inc. (NYSE: AAC) today announced financial results for the first quarter ended March 31, 2018 and reiterates its previously issued full year 2018 guidance.

First Quarter 2018 Operational and Financial Highlights:
(All comparisons are to the comparable prior-year period, unless otherwise noted)

- Total revenue increased 18% to \$78.5 million on a comparable accounting basis (increased 7% as reported)
- Average daily inpatient revenue (ADR) increased 46% to \$933
- Total average daily census (ADC) increased to 1,027 compared with 956
- Outpatient visits increased 83% to 30,313
- Net loss attributable to AAC Holdings, Inc. common stockholders was \$0.2 million, or \$(0.01) per diluted common share
- Adjusted EBITDA increased 20% to \$15.1 million (see non-GAAP reconciliation herein)
- Adjusted earnings per diluted common share was \$0.13 (see non-GAAP reconciliation herein)

"We are off to a solid start in 2018," said Michael Cartwright, Chairman and Chief Executive Officer of AAC Holdings, Inc. "A highlight for us this quarter was the closing of our acquisition of AdCare on March 1, and the integration since then has been going well. We also continue to be disciplined in improving our operational efficiencies, and I'm happy to see DSOs continuing to trend down to less than 100 days."

Adoption of New Revenue Recognition Standard

In May 2014, the FASB issued Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" (ASC Topic 606), a replacement of Revenue Recognition ASC Topic 605. The Company adopted ASC Topic 606 on January 1, 2018 using the modified retrospective approach. Under ASC Topic 606, the provision for doubtful accounts, which historically was reported as an operating expense, is now reported as a direct reduction to revenue effective January 1, 2018. This change in presentation reduced revenues and operating expenses by the same amount and did not have an effect on net income or earnings per share. As the Company adopted ASC Topic 606 using the modified retrospective approach, prior year periods were not recast and as such, revenues as reported are not comparable to the current year presentation. For purposes

of this release, we have applied our adoption of ASC Topic 606 to the prior year period. We believe this allows for an accurate comparison of prior period revenue. Where we have used language such as "less the provision for doubtful accounts," this indicates a comparison of periods that reflects our adoption of ASC Topic 606.

AdCare Acquisition

On March 1, 2018, AAC acquired AdCare, Inc. and its subsidiaries ("AdCare"). AdCare offers treatment for drug and alcohol addiction and includes, among other things, a 114-bed hospital and 5 outpatient centers in Massachusetts, as well as a 59-bed residential inpatient treatment center and 2 outpatient centers in Rhode Island. AdCare was purchased for total consideration of \$85.0 million, subject to adjustments.

First Quarter 2018 Financial Results

AAC breaks down its revenues between client related revenue and non-client related revenue. Client related revenue includes: (1) inpatient treatment facility services and related professional services; (2) outpatient facility services, related professional services and sober living services; and (3) client related diagnostic services, which includes point of care drug testing and client related diagnostic laboratory services. Non-client related revenue includes marketing and diagnostic services provided to third parties as well as addiction services provided to individuals in the criminal justice system.

Total revenue on a comparable accounting basis (i.e., less the provision for doubtful accounts) increased 18% to \$78.5 million compared with \$66.5 million in the same period in the prior year. Total revenue as reported increased 7%.

Inpatient treatment facility revenue, less the provision for doubtful accounts, increased 40% to \$64.9 million compared with \$46.3 million in the same period in the prior year. Average daily inpatient revenue increased 46% to \$933 compared with \$640 in the same period in the prior year.

Outpatient and sober living facility revenue, less the provision for doubtful accounts, increased 60% to \$8.4 million compared with \$5.3 million in the same period in the prior year. Average revenue per outpatient visit (ARV) decreased 13% to \$278 compared with \$318 in the same period in the prior year.

Client related diagnostic services revenue, less the provision for doubtful accounts, decreased 80% to \$2.6 million compared with \$13.0 million in the same period in the prior year. The decrease in client related diagnostic services is a result of previously anticipated lower reimbursements combined with a shift in the mix of client related diagnostic services from higher reimbursed tests to lower reimbursed tests.

Non-client related revenue, less the provision for doubtful accounts, increased 40% to \$2.6 million compared with \$1.8 million in the same period in the prior year.

Net loss attributable to AAC Holdings, Inc. common stockholders was \$0.2 million, or \$(0.01) per diluted common share, compared with \$0.6 million, or \$(0.03) per diluted common share, in the prior-year period.

Adjusted EBITDA increased 20% to \$15.1 million compared with \$12.7 million for the same period in the prior year. Adjusted net income attributable to AAC Holdings, Inc. common stockholders was \$3.2 million, or \$0.13 per diluted common share, for both the current and prior year period. Adjusted EBITDA, adjusted net income attributable to AAC Holdings, Inc. common stockholders and adjusted earnings per diluted common share are non-GAAP financial measures. Tables reconciling these non-GAAP measures to the most directly comparable GAAP measures are included at the end of this release.

Balance Sheet and Cash Flows

As of March 31, 2018, AAC Holdings' balance sheet reflected cash and cash equivalents of \$14.3 million, net property and equipment of \$169.7 million and total debt of \$303.8 million, net of debt issuance costs of \$9.4 million.

Cash flows used in operations totaled \$19.0 million for the first quarter of 2018 and included a \$25.0 million payment related to the settlement of the Tennessee class action litigation matter. Capital expenditures in the first quarter of 2018 totaled \$7.3 million.

2018 Outlook

AAC maintains its previously issued guidance, which includes AdCare from the March 1, 2018 acquisition date, as follows:

	Full Year 2018 Guidance
	<i>(in millions, except per share data)</i>
Total Revenues	\$325 - \$340
<i>Inpatient treatment facility revenue</i>	<i>\$262 - \$266</i>
<i>Outpatient and sober living facility revenue</i>	<i>\$40 - \$46</i>
<i>Client related diagnostic services revenue</i>	<i>\$12 - \$15</i>
<i>Non-client related revenue</i>	<i>\$11 - \$13</i>
Adjusted EBITDA	\$68 - \$72
Adjusted Earnings per Diluted Common Share	\$0.75 - \$0.80

The Company expects an annual effective tax rate of 24% to 26% and diluted weighted-average common shares outstanding of approximately 24.5 million for the year.

This outlook above does not include the impact of any future acquisitions, transaction-related costs, litigation settlement or expenses related to legal defenses.

With respect to the "2018 Outlook" above, reconciliation of adjusted EBITDA and adjusted earnings per diluted common share guidance to the closest corresponding GAAP measure on a forward-looking basis is not available without unreasonable efforts. This inability results from the inherent difficulty in forecasting generally and quantifying certain projected amounts that are necessary for such reconciliations. In particular, sufficient information is not available to calculate certain adjustments required for such reconciliations, including de novo start-up and other expense and acquisition-related expenses. We expect these adjustments may have a potentially significant impact on future GAAP financial results.

Earnings Conference Call

The Company will host a conference call and live audio webcast on Thursday, May 3, 2018, at 10:00 a.m. CT to further discuss these results. The number to call for this interactive teleconference is 412-542-4144. A replay of the conference call will be available through May 10, 2018, by dialing 412-317-0088 and entering the replay access code, 10119636. The live audio webcast of the Company's quarterly conference call will also be available online in the Investor Relations section of the Company's website at ir.americanaddictioncenters.org.

About American Addiction Centers

American Addiction Centers is a leading provider of inpatient and outpatient substance abuse treatment services. We treat clients who are struggling with drug addiction, alcohol addiction and co-occurring mental/behavioral health issues. We currently operate substance abuse treatment facilities located throughout the United States. These facilities are focused on delivering effective clinical care and treatment solutions. For more information, please find us at AmericanAddictionCenters.org or follow us on Twitter.

Forward Looking Statements

This release contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are made only as of the date of this release. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "may," "potential," "predicts," "projects," "should," "will," "would," and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these words. Forward-looking statements may include information concerning AAC Holdings, Inc.'s (collectively with its subsidiaries; "AAC Holdings" or the "Company") possible or assumed future results of operations, including descriptions of the Company's revenue, profitability, outlook and overall business strategy. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from the information contained in the forward-looking statements. These risks, uncertainties and other factors include, without limitation: (i) our inability to effectively operate our facilities or laboratories; (ii) our reliance on our sales and marketing program to continuously attract and enroll clients; (iii) a reduction in reimbursement rates by certain third-party payors for inpatient and outpatient services and diagnostic services; (iv) our failure to successfully achieve growth through acquisitions and de novo projects; (v) our failure to achieve anticipated financial results from contemplated and prior acquisitions; (vi) maintaining compliance with applicable regulatory authorities, licensure and permits to operate our facilities and laboratories; (vii) a disruption in our business and reputational and economic risks associated with the civil securities claims brought by shareholders or claims by various parties; (viii) inability to meet the covenants in our loan documents; (ix) our inability to effectively integrate acquired facilities; and (x) general economic conditions, as well as other risks discussed in the "Risk Factors" section of the Company's Annual Report on Form 10-K, and other filings with the Securities and Exchange Commission. As a result of these factors, we cannot assure you that the forward-looking statements in this release will prove to be accurate. Investors should not place undue reliance upon forward-looking statements.

AAC HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited
(Dollars in thousands, except per share data)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Revenues		
Client related revenue	\$ 75,923	\$ 71,219
Non-client related revenue	2,550	1,820
Total revenues	78,473	73,039
Operating expenses		
Salaries, wages and benefits	40,084	36,772
Client related services	7,747	6,378
Provision for doubtful accounts	—	6,587
Advertising and marketing	2,599	3,775
Professional fees	3,650	2,642
Other operating expenses	10,588	8,789
Rentals and leases	2,116	1,885
Litigation settlement	2,791	
Depreciation and amortization	5,464	5,469
Acquisition-related expenses	305	183
Total operating expenses	75,344	72,480
Income from operations	3,129	559
Interest expense, net	6,709	2,734
Other expense, net	9	34
Loss before income tax benefit	(3,589)	(2,209)
Income tax benefit	(1,494)	(565)
Net loss	(2,095)	(1,644)
Less: net loss attributable to noncontrolling interest	1,893	1,041
Net loss attributable to AAC Holdings, Inc. common stockholders	<u>\$ (202)</u>	<u>\$ (603)</u>
Basic loss per common share	\$ (0.01)	\$ (0.03)
Diluted loss per common share	\$ (0.01)	\$ (0.03)
Weighted-average common shares outstanding:		
Basic	23,744,208	23,163,626
Diluted	23,744,208	23,163,626

AAC HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited
(Dollars in thousands)

	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 14,341	\$ 13,818
Accounts receivable, net of allowances	99,581	94,096
Prepaid expenses and other current assets	3,354	4,022
Total current assets	<u>117,276</u>	<u>111,936</u>
Property and equipment, net	169,744	152,548
Goodwill	197,184	134,396
Intangible assets, net	13,712	8,829
Deferred tax assets, net	9,030	8,010
Other assets	12,468	12,556
Total assets	<u>\$ 519,414</u>	<u>\$ 428,275</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 3,338	\$ 4,579
Accrued and other current liabilities	34,039	27,661
Accrued litigation	1,000	23,607
Current portion of long-term debt	7,319	4,722
Total current liabilities	<u>45,696</u>	<u>60,569</u>
Long-term debt, net of current portion and debt issuance costs	296,443	196,451
Financing lease obligation, net of current portion	24,515	24,541
Other long-term liabilities	12,277	10,546
Total liabilities	<u>378,931</u>	<u>292,107</u>
Stockholders' equity	157,202	150,994
Noncontrolling interest	(16,719)	(14,826)
Total stockholders' equity including noncontrolling interest	<u>140,483</u>	<u>136,168</u>
Total liabilities and stockholders' equity	<u>\$ 519,414</u>	<u>\$ 428,275</u>

AAC HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(Dollars in thousands)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Cash flows (used in) provided by operating activities:		
Net loss	\$ (2,095)	\$ (1,644)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Provision for doubtful accounts	—	6,587
Depreciation and amortization	5,464	5,469
Equity compensation	798	2,137
Loss on disposal of property and equipment	34	—
Amortization of debt issuance costs	637	173
Deferred income taxes	(1,020)	(718)
Changes in operating assets and liabilities:		
Accounts receivable	(1,129)	(13,397)
Prepaid expenses and other assets	1,485	406
Accounts payable	(4,739)	4,556
Accrued liabilities	4,141	759
Accrued litigation	(22,300)	—
Other long-term liabilities	(275)	28
Net cash (used in) provided by operating activities	<u>(18,999)</u>	<u>4,356</u>
Cash flows used in investing activities:		
Purchase of property and equipment	(7,305)	(10,687)
Acquisition of subsidiaries	(65,185)	—
Net cash used in investing activities	<u>(72,490)</u>	<u>(10,687)</u>
Cash flows provided by financing activities:		
Payments on 2015 Credit Facility and Deerfield Facility	—	(2,344)
Proceeds from 2015 Credit Facility and Deerfield Facility, net of deferred financing costs	—	11,679
Payments on 2017 Credit Facility	(1,724)	—
Proceeds from 2017 Credit Facility, net of deferred financing costs	94,432	—
Payments on capital leases and other	(221)	(193)
Payment of employee taxes for net share settlement	(475)	(895)
Net cash provided by financing activities	<u>92,012</u>	<u>8,247</u>
Net change in cash and cash equivalents	523	1,916
Cash and cash equivalents, beginning of period	13,818	3,964
Cash and cash equivalents, end of period	<u>\$ 14,341</u>	<u>\$ 5,880</u>

AAC HOLDINGS, INC.
OPERATING METRICS
Unaudited

	Three Months Ended	
	March 31, 2018	March 31, 2017
Operating Metrics:		
New admissions ¹	3,739	3,216
Average daily inpatient census ²	773	802
Average daily sober living census ³	254	154
Total average daily census	1,027	956
Average episode length (days) ⁴	25	27
Average daily inpatient revenue ⁵	\$ 933	\$ 640
Revenue per admission ⁶	\$ 20,306	\$ 20,097
Outpatient visits ⁷	30,313	16,550
Revenue per outpatient visit ⁸	\$ 278	\$ 318
Client related diagnostic services ⁹	4%	23%
Inpatient bed count at end of period ¹⁰	1,112	1,128
Effective inpatient bed count at end of period ¹¹	1,108	1,063
Average effective inpatient bed utilization ¹²	78%	75%

¹ Represents total client admissions at our inpatient facilities for the periods presented.

² Represents average daily client census at all of our inpatient facilities.

³ Represents average daily client census at our sober living facilities.

⁴ Average episode length is the consecutive number of days from admission to discharge that a client stays at an AAC inpatient facility and, when applicable, an AAC sober living facility.

⁵ Average daily inpatient revenue is calculated as total revenues from all of our inpatient facilities less provision for doubtful accounts during the period, divided by the product of the number of days in the period multiplied by average daily inpatient census.

⁶ Revenue per admission is calculated by dividing total client related revenue, after the provision for doubtful accounts, by new admissions.

⁷ Represents the total number of outpatient visits at our standalone outpatient centers during the periods presented.

⁸ Revenue per outpatient visit is calculated as total revenues from all of our standalone outpatient facilities, after the provision for doubtful accounts, divided by the number of outpatient visits during the period.

⁹ Client related diagnostic services revenue, as a percentage of client related revenue, includes point-of-care and client related diagnostic laboratory services.

¹⁰ Inpatient bed count at end of period includes all beds at inpatient facilities.

¹¹ Effective bed count at end of period represents the number of beds for which our facilities are staffed based on planned census.

¹² Average effective inpatient bed utilization represents average daily inpatient census divided by the average effective inpatient bed count during the applicable period.

AAC HOLDINGS, INC.
SUPPLEMENTAL RECONCILIATION OF NON-GAAP DISCLOSURES

Unaudited

(Dollars in thousands)

Reconciliation of Adjusted EBITDA to Net Loss Attributable to AAC Holdings, Inc. Common Stockholders

	Three Months Ended	
	March 31, 2018	March 31, 2017
Net loss attributable to AAC Holdings, Inc. common stockholders	\$ (202)	\$ (603)
Non-GAAP Adjustments:		
Interest expense	6,709	2,734
Depreciation and amortization	5,464	5,469
Income tax benefit	(1,494)	(565)
Net loss attributable to noncontrolling interest	(1,893)	(1,041)
Stock-based compensation and related tax reimbursements	798	2,137
Litigation settlement and California matter related expense	3,202	159
Acquisition-related expense	429	272
De novo start-up and other expense	428	3,354
Employee severance expense	911	743
Facility closure operating losses and expense	792	—
Adjusted EBITDA	\$ 15,144	\$ 12,659

Adjusted EBITDA, adjusted net income attributable to AAC Holdings, Inc. common stockholders and adjusted diluted earnings per common share (herein collectively referred to as "Non-GAAP Disclosures") are "non-GAAP financial measures" as defined under the rules and regulations promulgated by the U.S. Securities and Exchange Commission, each of which are defined below. Management believes the Non-GAAP Disclosures provide investors with additional meaningful financial information that should be considered when assessing our underlying business performance and trends. We believe the Non-GAAP Disclosures also enhance investors' ability to compare period-to-period financial results. The Non-GAAP Disclosures should not be considered as measures of financial performance under U.S. generally accepted accounting principles ("GAAP"). The items excluded from the Non-GAAP Disclosures are significant components in understanding and assessing our financial performance and should not be considered as an alternative to net income or other financial statement items presented in the condensed consolidated financial statements. Because the Non-GAAP Disclosures are not measures determined in accordance with GAAP, the Non-GAAP Disclosures may not be comparable to other similarly titled measures of other companies.

Management defines adjusted EBITDA as net income (loss) attributable to AAC Holdings, Inc. common stockholders adjusted for interest expense, depreciation and amortization expense, income tax benefit, net loss attributable to noncontrolling interest, stock-based compensation and related tax reimbursements, litigation settlement and California matter related expense, acquisition-related expense (which includes professional services for accounting, legal, valuation services and licensing expenses), de novo start-up and other expenses, employee severance expense and facility closure operating losses and expense.

AAC HOLDINGS, INC.
SUPPLEMENTAL RECONCILIATION OF NON-GAAP DISCLOSURES

Unaudited

(Dollars in thousands, except per share data)

Reconciliation of Adjusted Net Income Attributable to AAC Holdings, Inc. Common Stockholders to Net Loss Attributable to AAC Holdings, Inc. Common Stockholders

	Three Months Ended	
	March 31, 2018	March 31, 2017
Net loss attributable to AAC Holdings, Inc. common stockholders	\$ (202)	\$ (603)
Non-GAAP Adjustments:		
Litigation settlement and California matter related expense	3,202	159
Acquisition-related expense	429	272
De novo start-up and other expense	428	3,354
Employee severance expense	911	743
Facility closure operating losses and expense	792	—
Income tax effect of non-GAAP adjustments	(2,399)	(1,158)
Adjusted net income attributable to AAC Holdings, Inc. common stockholders	<u>\$ 3,161</u>	<u>\$ 2,767</u>
Weighted-average common shares outstanding - diluted	23,744,208	23,163,626
GAAP diluted loss per common share	\$ (0.01)	\$ (0.03)
Adjusted earnings per diluted common share	<u>\$ 0.13</u>	<u>\$ 0.12</u>

Management defines adjusted net income attributable to AAC Holdings, Inc. common stockholders as net income (loss) attributable to AAC Holdings, Inc. common stockholders adjusted for litigation settlement and California matter related expense, acquisition-related expense (which includes professional services for accounting, legal, valuation services and licensing expenses), de novo start-up and other expenses, employee severance expense, facility closure operating losses and expense and the income tax effect of the non-GAAP adjustments at the then applicable effective tax rate.

Adjusted diluted earnings per common share represents diluted earnings per common share calculated using adjusted net income attributable to AAC Holdings, Inc. common stockholders as opposed to net income attributable to AAC Holdings, Inc. common stockholders.