Lincare falls on higher 2nd-quarter expenses

The Associated Press

Shares of Lincare Holdings Inc., which provides home delivery of oxygen and respiratory therapies, sank Tuesday after the company said greater expenses hurt its profit in the second quarter.

THE SPARK: The Clearwater, Fla., company said its profit fell 8 percent, to $42.8 million, or 45 cents per share, from $46.4 million, or 47 cents per share. Its revenue grew 7 percent to $449 million from $418.4 million.

Analysts expected a profit of 51 cents per share and $447.4 million in revenue, according to FactSet.

THE BIG PICTURE: Lincare reported greater expenses related to its expansion into new business areas. It acquired a specialty pharmacy services company in February and said greater sales of drugs and nonrental items added $18.1 million to its expenses. In total, its cost of goods sold grew 25 percent to $28.7 million.

The company also said Medicare payments fell 5 percent, although its total revenue increased because of acquisitions and gains from older businesses.

Lincare had 1,106 locations at the end of the quarter and provides services and equipment to about 790,000 customers in 48 states.

THE ANALYSIS: Raymond James analyst John Ransom said Lincare's management suggested the costs will continue to hurt its results in future quarters, although their impact will decrease over time. He reduced his 2011 profit estimate for Lincare to $1.91 per share from $2.10 per share, and said he now expects the company to earn $2.25 per share in 2012, down from $2.42.

Ransom maintained an "Outperform" rating on the stock, however, saying the shares remain attractive at their lower prices. He trimmed his price target to $34 per share from $36.

SHARE ACTION: Lincare's stock declined $2.20, or 7.7 percent, to $26.29.

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