

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended June 30, 2024  
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-8351

**CHEMED CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)  
255 E. Fifth Street, Suite 2600, Cincinnati, Ohio  
(Address of principal executive offices)

31-0791746

(IRS Employer Identification No.)  
45202  
(Zip code)

(513) 762-6690

(Registrant's telephone number, including area code)

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 periods 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 every Interactive Data File required to be submitted 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 such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  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 a 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 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.

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered	Amount	Date
Capital Stock \$1 Par Value	CHE	New York Stock Exchange	15,050,136 Shares	June 30, 2024

**CHEMED CORPORATION AND  
SUBSIDIARY COMPANIES**

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**PART I. FINANCIAL INFORMATION**  
**Item 1. Financial Statements**  
**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 222,903	\$ 263,958
Accounts receivable less allowances	184,961	181,511
Inventories	10,735	12,004
Prepaid income taxes	17,084	13,166
Prepaid expenses	28,929	30,204
Total current assets	464,612	500,843
Investments of deferred compensation plans held in trust	120,784	106,126
Properties and equipment, at cost, less accumulated depreciation of \$373,912 (2023- \$354,872)	202,249	203,840
Lease right of use asset	132,262	126,387
Identifiable intangible assets less accumulated amortization of \$54,031 (2023 - \$48,965)	97,035	90,264
Goodwill	662,124	585,017
Other assets	55,918	55,618
Total Assets	<u>\$ 1,734,984</u>	<u>\$ 1,668,095</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 43,001	\$ 64,034
Income taxes	-	6,858
Accrued insurance	59,899	58,568
Accrued compensation	78,374	88,381
Short-term lease liability	41,169	38,635
Other current liabilities	39,310	55,574
Total current liabilities	261,753	312,050
Deferred income taxes	27,901	30,321
Deferred compensation liabilities	119,780	104,069
Long-term lease liability	105,233	100,776
Other liabilities	13,020	13,003
Total Liabilities	<u>527,687</u>	<u>560,219</u>
<b>Commitments and contingencies (Note 10)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock - authorized 80,000,000 shares \$1 par; issued 37,312,834 shares (2023 - 37,183,681 shares)	37,313	37,184
Paid-in capital	1,416,166	1,341,273
Retained earnings	2,570,722	2,446,925
Treasury stock - 22,317,642 shares (2023 - 22,148,927 shares)	(2,819,053)	(2,719,588)
Deferred compensation payable in Company stock	2,149	2,082
Total Stockholders' Equity	<u>1,207,297</u>	<u>1,107,876</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,734,984</u>	<u>\$ 1,668,095</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Service revenues and sales	\$ 595,880	\$ 553,816	\$ 1,185,113	\$ 1,113,973
Cost of services provided and goods sold (excluding depreciation)	389,750	374,193	774,877	744,898
Selling, general and administrative expenses	102,255	94,987	218,128	195,082
Depreciation	13,167	12,634	26,454	24,920
Amortization	2,546	2,514	5,067	5,027
Other operating expense/(income)	37	(18)	129	1,721
Total costs and expenses	<u>507,755</u>	<u>484,310</u>	<u>1,024,655</u>	<u>971,648</u>
Income from operations	88,125	69,506	160,458	142,325
Interest expense	(429)	(771)	(854)	(2,322)
Other income - net	6,132	1,609	18,709	1,506
Income before income taxes	93,828	70,344	178,313	141,509
Income taxes	(22,941)	(16,967)	(42,409)	(34,011)
Net income	<u>\$ 70,887</u>	<u>\$ 53,377</u>	<u>\$ 135,904</u>	<u>\$ 107,498</u>
<b>Earnings Per Share:</b>				
Net income	\$ 4.70	\$ 3.54	\$ 8.99	\$ 7.16
Average number of shares outstanding	<u>15,097</u>	<u>15,058</u>	<u>15,109</u>	<u>15,013</u>
<b>Diluted Earnings Per Share:</b>				
Net income	\$ 4.65	\$ 3.51	\$ 8.89	\$ 7.09
Average number of shares outstanding	<u>15,251</u>	<u>15,219</u>	<u>15,295</u>	<u>15,167</u>
<b>Cash Dividends Per Share</b>				
	\$ 0.40	\$ 0.38	\$ 0.80	\$ 0.76

See Accompanying Notes to Unaudited Consolidated Financial Statements.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 135,904	\$ 107,498
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,521	29,947
Stock option expense	17,895	16,882
Noncash long-term incentive compensation	12,699	3,493
Litigation settlements	(5,750)	1,750
Benefit for deferred income taxes	(2,420)	(1,932)
Noncash directors' compensation	1,282	1,444
Amortization of debt issuance costs	160	420
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(2,422)	20,100
Decrease/(increase) in inventories	1,289	(1,412)
Decrease in prepaid expenses	1,275	1,719
(Decrease)/increase in accounts payable and other current liabilities	(19,499)	8,561
Change in current income taxes	(10,776)	1,865
Net change in lease assets and liabilities	(109)	(1,046)
Increase in other assets	(15,365)	(3,810)
Increase in other liabilities	15,730	7,344
Other sources/(uses)	652	(14)
Net cash provided by operating activities	<u>162,066</u>	<u>192,809</u>
<b>Cash Flows from Investing Activities</b>		
Business combinations, net of cash acquired	(92,300)	(305)
Capital expenditures	(23,225)	(33,420)
Proceeds from sale of fixed assets	2,916	360
Other uses	(265)	(169)
Net cash used by investing activities	<u>(112,874)</u>	<u>(33,534)</u>
<b>Cash Flows from Financing Activities</b>		
Purchases of treasury stock	(94,228)	(13,425)
Proceeds from exercise of stock options	38,594	53,675
Change in cash overdrafts payable	(15,749)	-
Dividends paid	(12,107)	(11,412)
Capital stock surrendered to pay taxes on stock-based compensation	(5,960)	(5,313)
Payments on other long-term debt	-	(97,500)
Other (uses)/sources	(797)	498
Net cash used by financing activities	<u>(90,247)</u>	<u>(73,477)</u>
<b>(Decrease)/increase in Cash and Cash Equivalents</b>		
Cash and cash equivalents at beginning of period	(41,055)	85,798
Cash and cash equivalents at end of period	<u>263,958</u>	<u>74,126</u>
	<u>\$ 222,903</u>	<u>\$ 159,924</u>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in thousands, except per share data)

**For the three months ended June 30, 2024 and 2023:**

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
<b>Balance at March 31, 2024</b>	\$ 37,297	\$ 1,398,733	\$ 2,505,892	\$ (2,760,543)	\$ 2,116	\$ 1,183,495
Net income	-	-	70,887	-	-	70,887
Dividends paid (\$0.40 per share)	-	-	(6,057)	-	-	(6,057)
Stock awards and exercise of stock options	16	17,555	-	(2,709)	-	14,862
Purchases of treasury stock	-	-	-	(55,769)	-	(55,769)
Other	-	(122)	-	(32)	33	(121)
<b>Balance at June 30, 2024</b>	<b>\$ 37,313</b>	<b>\$ 1,416,166</b>	<b>\$ 2,570,722</b>	<b>\$ (2,819,053)</b>	<b>\$ 2,149</b>	<b>\$ 1,207,297</b>
					Deferred Compensation Payable in Company Stock	
	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost		Total
<b>Balance at March 31, 2023</b>	<b>\$ 36,884</b>	<b>\$ 1,186,119</b>	<b>\$ 2,246,354</b>	<b>\$ (2,591,588)</b>	<b>\$ 2,284</b>	<b>\$ 880,053</b>
Net income	-	-	53,377	-	-	53,377
Dividends paid (\$0.38 per share)	-	-	(5,727)	-	-	(5,727)
Stock awards and exercise of stock options	112	53,657	-	(16,608)	-	37,161
Purchases of treasury stock	-	-	-	(13,425)	-	(13,425)
Other	-	639	-	(36)	37	640
<b>Balance at June 30, 2023</b>	<b>\$ 36,996</b>	<b>\$ 1,240,415</b>	<b>\$ 2,294,004</b>	<b>\$ (2,621,657)</b>	<b>\$ 2,321</b>	<b>\$ 952,079</b>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in thousands, except per share data)

**For the six months ended June 30, 2024 and 2023:**

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2023	\$ 37,184	\$ 1,341,273	\$ 2,446,925	\$ (2,719,588)	\$ 2,082	\$ 1,107,876
Net income	-	-	135,904	-	-	135,904
Dividends paid (\$0.80 per share)	-	-	(12,107)	-	-	(12,107)
Stock awards and exercise of stock options	129	75,667	-	(11,286)	-	64,510
Purchases of treasury stock	-	-	-	(88,113)	-	(88,113)
Other	-	(774)	-	(66)	67	(773)
<b>Balance at June 30, 2024</b>	<b>\$ 37,313</b>	<b>\$ 1,416,166</b>	<b>\$ 2,570,722</b>	<b>\$ (2,819,053)</b>	<b>\$ 2,149</b>	<b>\$ 1,207,297</b>
	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2022	\$ 36,796	\$ 1,149,899	\$ 2,197,918	\$ (2,588,145)	\$ 2,247	\$ 798,715
Net income	-	-	107,498	-	-	107,498
Dividends paid (\$0.76 per share)	-	-	(11,412)	-	-	(11,412)
Stock awards and exercise of stock options	200	89,995	-	(20,014)	-	70,181
Purchases of treasury stock	-	-	-	(13,425)	-	(13,425)
Other	-	521	-	(73)	74	522
<b>Balance at June 30, 2023</b>	<b>\$ 36,996</b>	<b>\$ 1,240,415</b>	<b>\$ 2,294,004</b>	<b>\$ (2,621,657)</b>	<b>\$ 2,321</b>	<b>\$ 952,079</b>

See Accompanying Notes to Unaudited Consolidated Financial Statements.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
Notes to Unaudited Consolidated Financial Statements

**1. Basis of Presentation**

As used herein, the terms "We," "Company" and "Chemed" refer to Chemed Corporation or Chemed Corporation and its consolidated subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States ("GAAP") for complete financial statements. The December 31, 2023 balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to state fairly our financial position, results of operations and cash flows. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or any other future period, and we make no representations related thereto. These financial statements are prepared on the same basis as and should be read in conjunction with the audited Consolidated Financial Statements and related Notes included in our Annual Report on Form 10-K for the year ended December 31, 2023.

**CLOUD COMPUTING**

As of June 30, 2024, Roto-Rooter has no significant capitalized implementation costs related to cloud computing.

VITAS utilizes a human resources system that is considered a cloud computing arrangement. We have capitalized approximately \$5.6 million related to implementation of this project which is included in prepaid assets in the accompanying balance sheets. The VITAS human resource system was placed into service in January 2020 and is being amortized over 5.7 years. For the three months ended June 30, 2024 and 2023, \$249,000 has been amortized, respectively. For the six months ended June 30, 2024 and 2023, \$497,000 has been amortized, respectively.

**INCOME TAXES**

Our effective income tax rate was 24.5% in the second quarter of 2024 compared to 24.1% during the second quarter of 2023. Excess tax benefit on stock options exercised reduced our income tax expenses by \$622,000 and \$1.5 million for the quarters ended June 30, 2024 and 2023, respectively.

Our effective income tax rate was 23.8% in the first six months of 2024 compared to 24.0% during the first six months of 2023. Excess tax benefit on stock options exercised reduced our income tax expenses by \$3.9 million and \$3.2 million for the first six months ended June 30, 2024 and 2023, respectively.

**NON-CASH TRANSACTIONS**

Included in the accompanying Consolidated Balance Sheets are \$1.9 million and \$690,000 of capitalized property and equipment which were not paid for as of June 30, 2024 and December 31, 2023, respectively. Accrued property and equipment purchases have been excluded from capital expenditures in the accompanying Consolidated Statements of Cash Flow. There are no material non-cash amounts included in interest expense for any period presented.

**BUSINESS COMBINATIONS**

We account for acquired businesses using the acquisition method of accounting. All assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The determination of fair value involves estimates and the use of valuation techniques when market value is not readily available. We use various techniques to determine fair value in accordance with accepted valuation models, primarily the income approach. The significant assumptions used in developing fair values include, but are not limited to, revenue growth rates, the amount and timing of future cash flows, discount rates, useful lives, royalty rates and future tax rates. The excess of purchase price over the fair value of assets and liabilities acquired is recorded as goodwill. See Note 17 for discussion of recent acquisitions.

**ESTIMATES**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect amounts reported in the consolidated financial statements and

accompanying Notes. Actual results could differ from those estimates. Disclosures of after-tax expenses and adjustments are based on estimates of the effective income tax rates for the applicable segments.

## 2. Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update "ASU No. 2014-09 – Revenue from Contracts with Customers." The standard and subsequent amendments are intended to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide for more useful information to users through improved disclosure requirements and simplify the preparation of financial statements. The standard is also referred to as Accounting Standards Codification No. 606 ("ASC 606").

### VITAS

Service revenue for VITAS is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and include variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a *per diem* basis regardless of the type of service provided or the payor. Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model. The types of hospice services provided and associated reimbursement model for each are as follows:

*Routine Home Care* occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to 4 hours per day in 15 minute increments at the continuous home care rate.

*General Inpatient Care* occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

*Continuous Home Care* is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare continuous home care rates are daily rates, Medicare pays for continuous home care in 15 minute increments. This 15 minute rate is calculated by dividing the daily rate by 96.

*Respite Care* permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

Each level of care represents a separate promise under the contract of care and is provided independently for each patient contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, we have concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, we have determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. We believe that the performance obligations for each level of care meet criteria to be satisfied over time. VITAS recognizes revenue based on the service output. VITAS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by our performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. VITAS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, VITAS has elected to apply the optional exception provided in ASC 606 and

is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for at least 12 months after discharge.

Care is provided to patients regardless of their ability to pay. Patients who meet our criteria for charity care are provided care without charge. There is no revenue or associated accounts receivable in the accompanying Consolidated Financial Statements related to charity care. The cost of providing charity care for the quarters ended June 30, 2024 and 2023 was \$2.2 million, respectively. The cost of providing charity care during the first six months ended June 30, 2024 and 2023 was \$4.4 million and \$4.2 million, respectively. The cost of charity care is included in cost of services provided and goods sold and is calculated by taking the ratio of charity care days to total days of care and multiplying by the total cost of care.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. VITAS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. VITAS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e. change in credit risk) are recorded as bad debt expense. VITAS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation and change over time. Medicare and Medicaid programs have broad authority to audit and review compliance with such laws and regulations and impose payment suspensions or modifications when merited. Additionally, the contracts we have with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available.

We are subject to certain limitations on Medicare payments for services which are considered variable consideration, as follows:

*Inpatient Cap.* If the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services during the three months ended June 30, 2024 and 2023.

*Medicare Cap.* We are also subject to a Medicare annual per-beneficiary cap ("Medicare cap"). Compliance with the Medicare cap is measured in one of two ways based on a provider election. The "streamlined" method compares total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year. At June 30, 2024, all our programs except one are using the "streamlined" method.

The "proportional" method compares the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by the Medicare provider number between September 28 and September 27 of the following year with the product of the per beneficiary cap amount and a pro-rated number of Medicare beneficiaries receiving hospice services from that program during the same period. The pro-rated number of Medicare beneficiaries is calculated based on the ratio of days the beneficiary received hospice services during the measurement period to the total number of days the beneficiary received hospice services.

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether revenues are likely to exceed the annual per-beneficiary Medicare cap. Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective actions, which include changes to the patient mix and increased patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate revenue recognized during the government fiscal year that will require repayment to the Federal government under the Medicare cap and record an adjustment to revenue of an amount equal to a ratable portion of our best estimate for the year.

For VITAS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, VITAS serves as a pass-through between Medicaid and the nursing home. We are responsible for paying the nursing home for that patient's room and board. Medicaid reimburses us for 95% of the amount we have paid. This results in a 5% net expense for VITAS related to nursing home room and board. This transaction creates a performance obligation in that VITAS is facilitating room and board being delivered to our patient. As a result, the 5% net expense is recognized as a contra-revenue account under ASC 606 in the accompanying financial statements.

The composition of patient care service revenue by payor and level of care for the quarter ended June 30, 2024 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	\$ 305,491	\$ 12,707	\$ 6,580	\$ 324,778
Inpatient care	25,069	2,242	1,760	29,071
Continuous care	22,438	873	1,016	24,327
	<b>\$ 352,998</b>	<b>\$ 15,822</b>	<b>\$ 9,356</b>	<b>\$ 378,176</b>
All other revenue - self-pay, respite care, etc.				4,733
Subtotal				\$ 382,909
Medicare cap adjustment				(1,375)
Implicit price concessions				(3,820)
Room and board, net				(3,156)
Net revenue				<b>\$ 374,558</b>

The composition of patient care service revenue by payor and level of care for the quarter ended June 30, 2023 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	\$ 260,770	\$ 11,388	\$ 5,958	\$ 278,116
Inpatient care	23,899	1,848	1,654	27,401
Continuous care	19,403	864	814	21,081
	<b>\$ 304,072</b>	<b>\$ 14,100</b>	<b>\$ 8,426</b>	<b>\$ 326,598</b>
All other revenue - self-pay, respite care, etc.				3,154
Subtotal				\$ 329,752
Medicare cap adjustment				(2,750)
Implicit price concessions				(3,237)
Room and board, net				(2,904)
Net revenue				<b>\$ 320,861</b>

The composition of patient care service revenue by payor and level of care for the six months ended June 30, 2024 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
<b>Routine home care</b>	<b>\$ 592,045</b>	<b>\$ 24,678</b>	<b>\$ 12,914</b>	<b>\$ 629,637</b>
Inpatient care	51,257	4,629	3,488	59,374
Continuous care	44,993	1,646	1,858	48,497
	<b>\$ 688,295</b>	<b>\$ 30,953</b>	<b>\$ 18,260</b>	<b>\$ 737,508</b>
<b>All other revenue - self-pay, respite care, etc.</b>				<b>8,817</b>
<b>Subtotal</b>				<b>\$ 746,325</b>
Medicare cap adjustment				(3,750)
Implicit price concessions				(7,910)
Room and board, net				(6,101)
<b>Net revenue</b>				<b>\$ 728,564</b>

The composition of patient care service revenue by payor and level of care for the six months ended June 30, 2023 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
<b>Routine home care</b>	<b>\$ 511,686</b>	<b>\$ 21,956</b>	<b>\$ 11,524</b>	<b>\$ 545,166</b>
Inpatient care	49,419	4,280	2,795	56,494
Continuous care	37,912	1,514	1,596	41,022
	<b>\$ 599,017</b>	<b>\$ 27,750</b>	<b>\$ 15,915</b>	<b>\$ 642,682</b>
<b>All other revenue - self-pay, respite care, etc.</b>				<b>6,175</b>
<b>Subtotal</b>				<b>\$ 648,857</b>
Medicare cap adjustment				(5,500)
Implicit price concessions				(6,346)
Room and board, net				(5,672)
<b>Net revenue</b>				<b>\$ 631,339</b>

#### Roto-Rooter

Roto-Rooter provides plumbing, drain cleaning, excavation, water restoration and other related services to both residential and commercial customers primarily in the United States. Services are provided through a network of company-owned branches, independent contractors and franchisees. Service revenue for Roto-Rooter is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing services.

Roto-Rooter owns and operates branches focusing mainly on large population centers in the United States. Roto-Rooter's primary lines of business in company-owned branches consist of plumbing, sewer and drain cleaning, excavation and water restoration. For purposes of ASC 606 analysis, plumbing, sewer and drain cleaning, and excavation have been combined into one portfolio and are referred to as "short-term core services". Water restoration is analyzed as a separate portfolio. The following describes the key characteristics of these portfolios:

**Short-term Core Services** are plumbing, drain and sewer cleaning and excavation services. These services are provided to both commercial and residential customers. The duration of services provided in this category range from a few hours to a few days. There are no significant warranty costs or on-going obligations to the customer once a service has been completed. For residential customers, payment is received at the time of job completion before the Roto-Rooter technician leaves the residence. Commercial customers may be granted credit subject to internally designated authority limits and credit check guidelines. If credit is granted, payment terms are generally 30 days or less.

Each job in this category is a distinct service with a distinct performance obligation to the customer. Revenue is recognized at the completion of each job. Variable consideration consists of pre-invoice discounts and post-invoice discounts. Pre-invoice discounts are given in the form of coupons or price concessions. Post-invoice discounts consist of credit memos generally granted to resolve customer service issues. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

**Water Restoration Services** involve the remediation of water and humidity after a flood. These services are provided to both commercial and residential customers. The duration of services provided in this category generally ranges from 3 to 5 days. There are

no significant warranties or on-going obligations to the customer once service has been completed. The majority of these services are paid by the customer's insurance company. Variable consideration relates primarily to allowances taken by insurance companies upon payment. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

For both short-term core services and water restoration services, Roto-Rooter satisfies its performance obligation at a point in time. The services provided generally involve fixing plumbing, drainage or flood-related issues at the customer's property. At the time service is complete, the customer acknowledges its obligation to pay for service and its satisfaction with the service performed. This provides evidence that the customer has accepted the service and Roto-Rooter is now entitled to payment. As such, Roto-Rooter recognizes revenue for these services upon completion of the job and receipt of customer acknowledgement. Roto-Rooter's performance obligations for short-term core services and water restoration services relate to contracts with an expected duration of less than a year. Therefore, Roto-Rooter has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Roto-Rooter does not have significant unsatisfied or partially unsatisfied performance obligations at the time of initial revenue recognition for short-term core or water restoration services.

Roto-Rooter owns the rights to certain territories and contracts with independent third-parties to operate the territory under Roto-Rooter's registered trademarks ("independent contractors"). Such contracts are for a specified term but cancellable by either party without penalty with 90 days' advance notice. Under the terms of these arrangements, Roto-Rooter provides certain back office support and advertising along with a limited license to use Roto-Rooter's registered trademarks. The independent contractor is responsible for all day-to-day management of the business including staffing decisions and pricing of services provided. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Independent contractors pay Roto-Rooter a standard fee calculated as a percentage of their cash collection from weekly sales. The primary value for the independent contractors under these arrangements is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from independent contractors over-time (weekly) as the independent contractor's labor sales are completed and payment from customers are received. Payment from independent contractors is also received on a weekly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the independent contractor as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

Roto-Rooter has licensed the rights to operate under Roto-Rooter's registered trademarks in other territories to franchisees. Each such contract is for a 10 year term but cancellable by Roto-Rooter for cause with 60 day advance notice without penalty. The franchisee may cancel the contract for any reason with 60 days advance notice without penalty. Under the terms of the contract, Roto-Rooter provides national advertising and consultation on various aspects of operating a Roto-Rooter business along with the right to use Roto-Rooter's registered trademarks. The franchisee is responsible for all day-to-day management of the business including staffing decisions, pricing of services provided and local advertising spend and placement. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Franchisees pay Roto-Rooter a standard monthly fee based on the population within the franchise territory. The standard fee is revised on a yearly basis based on changes in the Consumer Price Index for All Urban Consumers. The primary value for the franchisees under this arrangement is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from franchisees over-time (monthly). Payment from franchisees is also received on a monthly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the franchisees as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

The composition of disaggregated revenue for the second quarter is as follows (in thousands):

	June 30,	
	2024	2023
Drain cleaning	\$ 57,865	\$ 60,362
Plumbing	46,046	48,719
Excavation	55,713	57,552
Other	202	184
Subtotal - short term core	159,826	166,817
Water restoration	42,777	44,978
Independent contractors	18,255	21,875
Franchisee fees	1,398	1,388
Other	5,863	4,301
Gross revenue	228,119	239,359
Implicit price concessions and credit memos	(6,797)	(6,404)
Net revenue	<u>\$ 221,322</u>	<u>\$ 232,955</u>

The composition of disaggregated revenue for the first six months is as follows (in thousands):

	June 30,	
	2024	2023
Drain cleaning	\$ 119,486	\$ 126,851
Plumbing	94,144	99,172
Excavation	114,331	117,128
Other	446	377
Subtotal - short term core	328,407	343,528
Water restoration	89,454	95,741
Independent contractors	37,871	45,175
Franchisee fees	2,890	2,739
Other	11,880	9,045
Gross revenue	470,502	496,228
Implicit price concessions and credit memos	(13,953)	(13,594)
Net revenue	<u>\$ 456,549</u>	<u>\$ 482,634</u>

### 3. Segments

Service revenues and sales by business segment are shown in Note 2. After-tax income/(loss) by business segment are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
VITAS	\$ 49,252	\$ 26,128	\$ 93,221	\$ 50,892
Roto-Rooter	40,517	44,374	81,371	92,027
Total	89,769	70,502	174,592	142,919
Corporate	(18,882)	(17,125)	(38,688)	(35,421)
Net income	<u>\$ 70,887</u>	<u>\$ 53,377</u>	<u>\$ 135,904</u>	<u>\$ 107,498</u>

We report corporate administrative expenses and unallocated investing and financing income and expense not directly related to either segment as "Corporate".

#### 4. Earnings per Share

Earnings per share ("EPS") are computed using the weighted average number of shares of capital stock outstanding. Earnings and diluted earnings per share are computed as follows (in thousands, except per share data):

	For the Three Months Ended June 30,	Net Income		
		Income	Shares	Earnings per Share
2024				
	Earnings	\$ 70,887	15,097	\$ 4.70
	Dilutive stock options	-	108	
	Nonvested stock awards	-	46	
	Diluted earnings	<u>\$ 70,887</u>	<u>15,251</u>	<u>\$ 4.65</u>
2023				
	Earnings	\$ 53,377	15,058	\$ 3.54
	Dilutive stock options	-	115	
	Nonvested stock awards	-	46	
	Diluted earnings	<u>\$ 53,377</u>	<u>15,219</u>	<u>\$ 3.51</u>
	Net Income			
	For the Six Months Ended June 30,	Net Income		
		Income	Shares	Earnings per Share
2024				
	Earnings	\$ 135,904	15,109	\$ 8.99
	Dilutive stock options	-	135	
	Nonvested stock awards	-	51	
	Diluted earnings	<u>\$ 135,904</u>	<u>15,295</u>	<u>\$ 8.89</u>
2023				
	Earnings	\$ 107,498	15,013	\$ 7.16
	Dilutive stock options	-	107	
	Nonvested stock awards	-	47	
	Diluted earnings	<u>\$ 107,498</u>	<u>15,167</u>	<u>\$ 7.09</u>

For the three and six months ended June 30, 2024, there were 310,000 stock options excluded from the computation of dilutive earnings per share because they would have been anti-dilutive.

For the three and six months ended June 30, 2023, there were 311,000 stock options excluded from the computation of dilutive earnings per share because they would have been anti-dilutive.

#### 5. Long-Term Debt and Lines of Credit

On June 28, 2022, we replaced our existing credit facility with a fifth amended and restated Credit Agreement ("2022 Credit Facilities"). Terms of the 2022 Credit Facilities consist of a five-year \$450.0 million revolver as well as a five-year \$100.0 million term loan. The 2022 Credit Facilities have a floating interest rate that is generally the secured overnight financing rate ("SOFR") plus an additional tiered rate which varies based on our current leverage ratio. As of June 30, 2024, the interest rate is SOFR plus 100 basis points. The 2022 Credit Facilities include an expansion feature that provides the Company the opportunity to increase its revolver and or term loan by an additional \$250.0 million.

We made prepayments totaling \$75.0 million plus a regularly scheduled payment of \$1.25 million in the first quarter of 2023, on the \$100.0 million term loan. We paid the remaining balance of \$21.3 million in April 2023. There were no prepayment penalties associated with this repayment. There are no significant deferred debt issuance costs capitalized related to the term loan. This prepayment reduced the total borrowing capacity of the 2022 Credit Facilities from \$550.0 million to \$450.0 million.

The 2022 Credit Facilities contain the following quarterly financial covenants effective as of June 30, 2024:

Description	Requirement
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00
Interest Coverage Ratio (Consolidated Adj. EBITDA/Consolidated Interest Expense)	> 3.00 to 1.00

We are in compliance with all debt covenants as of June 30, 2024. We have issued \$45.2 million in standby letters of credit as of June 30, 2024, mainly for insurance purposes. Issued letters of credit reduce our available credit under the 2022 Credit Facilities. As of June 30, 2024, we have approximately \$404.8 million of unused lines of credit available and eligible to be drawn down under the revolving credit facility.

## 6. Other Income – Net

Other income – net comprises the following (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Market value adjustment on assets held in deferred compensation trust	\$ 2,637	\$ 1,504	\$ 10,971	\$ 1,184
Interest income	3,495	113	7,737	263
Other-net	-	(8)	1	59
Total other income - net	<u><u>\$ 6,132</u></u>	<u><u>\$ 1,609</u></u>	<u><u>\$ 18,709</u></u>	<u><u>\$ 1,506</u></u>

## 7. Leases

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for inpatient units ("IPUs") and/or contract beds within hospitals. Roto-Rooter mainly has leased office space. Our leases have remaining terms of under 1 year to 13 years, some of which include options to extend the lease for up to 5 years, and some of which include options to terminate the lease within 1 year.

Roto-Rooter purchases equipment and leases it to certain of its independent contractors. We analyzed these leases in accordance with ASC 842 and determined they are operating leases. As a result, Roto-Rooter capitalizes the equipment underlying these leases, depreciates the equipment and recognizes rental income.

We do not currently have any finance leases, therefore all lease information disclosed is related to operating leases.

The components of balance sheet information related to leases were as follows:

	June 30,		December 31,	
	2024	2023	2024	2023
<b>Assets</b>				
Operating lease assets	\$ 132,262	\$ 126,387		
<b>Liabilities</b>				
Current operating leases	41,169	38,635		
Noncurrent operating leases	105,233	100,776		
Total operating lease liabilities	<u><u>\$ 146,402</u></u>	<u><u>\$ 139,411</u></u>		

The components of lease expense for the second quarter are as follows (in thousands):

<u>Lease Expense (a)</u>	Three months ended June 30,	
	2024	2023
Operating lease expense	\$ 15,819	\$ 14,944
Sublease income	(90)	(23)
Net lease expense	<u>\$ 15,729</u>	<u>\$ 14,921</u>

The components of lease expense for the first six months are as follows (in thousands):

<u>Lease Expense (a)</u>	Six months ended June 30,	
	2024	2023
Operating lease expense	\$ 31,264	\$ 29,813
Sublease income	(113)	(46)
Net lease expense	<u>\$ 31,151</u>	<u>\$ 29,767</u>

(a) Includes short-term leases and variable lease costs, which are immaterial. Included in both cost of services provided and goods sold and selling, general and administrative expenses.

The components of cash flow information related to leases were as follows:

	Six months ended June 30,	
	2024	2023
<u>Cash paid for amounts included in the measurement of lease liabilities</u>		
Operating cash flows from leases	\$ 25,254	\$ 25,055
<u>Leased assets obtained in exchange for new operating lease liabilities</u>	\$ 28,551	\$ 14,340

Weighted Average Remaining Lease Term at June 30, 2024

Operating leases	4.75 years
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Weighted Average Discount Rate at June 30, 2024

Operating leases	3.51%
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**Maturity of Operating Lease Liabilities (in thousands)**

<b>2024</b>	\$	<b>24,582</b>
2025		42,447
2026		33,253
2027		20,715
2028		14,756
Thereafter		24,503
Total lease payments	\$	160,256
Less: interest		(13,854)
Total liability recognized on the balance sheet	\$	<u>146,402</u>

For leases commencing prior to April 2019, minimum rental payments exclude payments to landlords for real estate taxes and common area maintenance. Operating lease payments include \$1.7 million related to extended lease terms that are reasonably certain of being exercised and exclude \$2.5 million of lease payments for leases signed but not yet commenced.

## 8. Stock-Based Compensation Plans

On February 16, 2024, the Compensation/Incentive Committee of the Board of Directors ("CIC") granted 7,133 Performance Stock Units ("PSUs") that vest contingent upon the achievement of certain total shareholder return ("TSR") targets as compared to the TSR of a group of peer companies for the three-year period ending December 31, 2026, the date at which such awards vest. The cumulative compensation cost of the TSR-based PSU award to be recorded over the three-year service period is \$4.8 million.

On February 16, 2024, the CIC also granted 7,133 PSUs that vest contingent upon the achievement of certain earnings per share ("EPS") targets for the three-year period ending December 31, 2026. At the end of each reporting period, the Company estimates the number of shares that it believes will ultimately be earned and records the corresponding expense over the service period of the award. We currently estimate the cumulative compensation cost of the EPS-based PSUs to be recorded over the three-year service period is \$4.2 million.

At the end of 2023, the then Chief Financial Officer (CFO) transitioned to an employee advisor role. In early 2024, in connection with this change of roles, the CFO's employment agreement terminated, and the CFO was given a one-time grant of 6,424 PSUs to be paid based on the Company's TSR performance for the fiscal years 2024 to 2026. This one-time grant is structured the same as the Company's standard TSR-based PSU grants with the exception that there are no future service requirements to be satisfied by the employee. Based on the structure of the one-time award, the entire value of the award, \$5.3 million, was recognized as compensation expense in SG&A in the consolidated statements of income for the period ended March 31, 2024.

## 9. Retirement Plans

All of the Company's plans that provide retirement and similar benefits are defined contribution plans. These expenses include the impact of market gains and losses on assets held in deferred compensation plans and are recorded in selling, general and administrative expenses. Net gains for the Company's retirement and profit-sharing plans, excess benefit plans and other similar plans are as follows (in thousands):

Three months ended June 30,			Six months ended June 30,		
2024	2023		2024	2023	
\$	\$	5,550	\$	\$	11,424

## 10. Legal and Regulatory Matters

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, which can result in penalties including repayment obligations, funding withholding, or debarment, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. Other than as described below, it is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or reasonably estimable.

### *Regulatory Matters and Litigation*

VITAS is one of a group of hospice providers selected by the Office of the Inspector General's ("OIG") Office of Audit Services ("OAS") for inclusion in an audit of the provision of elevated level-of-care hospice services. On July 14, 2022, VITAS received the final audit report from OAS. Per this report, the OAS audit examined VITAS inpatient and continuous care claims for the period April 2017 to March 2019. The audit covered a total population of 50,850 claims representing total Medicare reimbursement of \$210.0 million during this two-year time period. From this population, OAS selected 100 claims, representing \$688,000 of reimbursement, for detailed review. The final OAS audit report includes a series of recommendations, including that VITAS repay approximately \$140.0 million of the \$210.0 million VITAS received from Medicare for hospice services during this two-year period, despite the fact that at the time of the release of the results of the audit, many of the disputed claims were time-barred from being challenged. VITAS believes that the OAS audit process and related final report contain significant flaws including in methodology, medical reviews, technical reviews, proposed extrapolation methodology, and contravene the "reasonable physician standard" set forth in the applicable Aseracare precedent.

On August 29, 2022, six weeks subsequent to the OAS finalizing its audit, VITAS received a demand letter from its Medicare Administrative Contractor ("MAC") seeking repayment of \$50.3 million. This demand letter is \$90.0 million lower than the final OAS audit recommendation, as a significant portion of the 100 claims reviewed were closed pursuant to applicable law and ineligible to be reopened. VITAS timely filed its initial appeal of the overpayment decision and deposited \$50.3 million under the "Immediate Recoupment" process to preserve its appeal rights. To date, VITAS has been refunded \$3.34 million of the amount deposited and

continues to appeal the remaining claims through the Office of Medicare Hearings and Appeals process. The amount deposited has been recorded as an "other long-term asset" in the consolidated balance sheets, as detailed in Note 13.

Regardless of the outcome of the preceding matter, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, withholding of governmental funding, diversion of management time, and related publicity. Although the Company intends to defend it vigorously, there can be no assurance that the audit will not have a material adverse effect on the Company.

## 11. Concentration of Risk

As of June 30, 2024, and December 31, 2023, approximately 73% and 75%, respectively, of VITAS' total accounts receivable balance were from Medicare and 22% and 19%, respectively, of VITAS' total accounts receivable balance were due from various state Medicaid or managed Medicaid programs. Combined accounts receivable from Medicare, Medicaid, and managed Medicaid represent approximately 85% of the consolidated net accounts receivable in the accompanying consolidated balance sheets as of June 30, 2024.

VITAS has a pharmacy services contract with one service provider for specified pharmacy services related to its hospice operations. Similarly, VITAS obtains the majority of its medical supplies from a single vendor. A large majority of VITAS' pharmaceutical and medical supplies purchases are from these vendors. The pharmaceutical and medical supplies purchased by VITAS are available through many providers in the United States. However, a disruption from VITAS' main service providers could adversely impact VITAS' operations, including temporary logistical challenges and increased cost associated with getting medication and medical supplies to our patients.

## 12. Cash Overdrafts and Cash Equivalents

There is no cash overdraft included in accounts payable at June 30, 2024. There was \$15.7 million of cash overdrafts included in accounts payable at December 31, 2023.

From time to time throughout the year, we invest excess cash in money market funds with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. In 2023, Chemed began investing excess cash in money market funds holding US Treasuries. Deposits and withdrawals are made daily, based on the Company's excess cash balance. There are no penalties associated with withdrawals. The accounts bear interest at a normal market rate.

## 13. Other Assets

Other assets comprise the following (in thousands):

	June 30, 2024	December 31, 2023
Deposit with OAS	\$ 46,968	\$ 46,968
Cash surrender value life insurance	3,754	3,651
Noncurrent advances and deposits	2,288	2,139
Deferred debt costs	1,099	1,197
Other	1,809	1,663
<b>Total other assets</b>	<b>\$ 55,918</b>	<b>\$ 55,618</b>

## 14. Other Current Liabilities

	June 30, 2024	December 31, 2023
Medicare cap	\$ 8,916	\$ 13,245
Accrued advertising	3,102	4,641
Healthcare worker retention bonus	2,975	8,901
Accrued legal	640	6,386
All other	23,677	22,401
<b>Total other current liabilities</b>	<b>\$ 39,310</b>	<b>\$ 55,574</b>

There are no individual amounts exceeding 5% of the total current liabilities in the "all other" line item for either period presented.

## 15. Financial Instruments

FASB's authoritative guidance on fair value measurements defines a hierarchy which prioritizes the inputs in fair value measurements. Level 1 measurements are measurements using quoted prices in active markets for identical assets or liabilities. Level 2 measurements use significant other observable inputs. Level 3 measurements are measurements using significant unobservable inputs which require a company to develop its own assumptions. In recording the fair value of assets and liabilities, companies must use the most reliable measurement available.

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of June 30, 2024 (in thousands):

	Fair Value Measure			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments of deferred compensation plans held in trust	\$ 120,784	\$ 120,784	\$ -	\$ -
Cash equivalents	245,817	245,817	-	-

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2023 (in thousands):

	Fair Value Measure			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments of deferred compensation plans held in trust	\$ 106,126	\$ 106,126	\$ -	\$ -
Cash equivalents	257,343	257,343	-	-

For cash, accounts receivable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments. As further described in Note 5, our outstanding long-term debt has a floating interest rate that is reset at short-term intervals, generally 30 or 60 days. The interest rate we pay also includes an additional amount based on our current leverage ratio. As such, we believe our borrowings reflect significant nonperformance risks, mainly credit risk. Based on these factors, we believe the fair value of our long-term debt approximates its carrying value.

## 16. Capital Stock Repurchase Plan Transactions

We repurchased the following capital stock:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Total cost of repurchased shares (in thousands)	\$ 55,769	\$ 13,425	\$ 88,113	\$ 13,425
Shares repurchased	100,000	25,000	150,000	25,000
Weighted average price per share	\$ 557.68	\$ 536.98	\$ 587.41	\$ 536.98

In November 2023, the Board of Directors authorized \$300.0 million for additional stock repurchase under the February 2011 repurchase program. In May and November 2021, the Board of Directors authorized a total of \$600.0 million for additional stock

repurchase under Chemed's existing share repurchase program. We currently have \$225.9 million of authorization remaining under this share repurchase plan.

## 17. Acquisitions

On March 11, 2024, Roto-Rooter completed the acquisition of one franchise in New Jersey for \$5.8 million in cash. On March 27, 2024, Roto-Rooter completed the acquisition of one franchise in Texas for \$1.5 million in cash.

On April 17, 2024, VITAS completed the purchase of all hospice operations and an assisted living facility from Covenant Health and Community Services, Inc d/b/a/ Covenant Care ("Covenant") for an aggregated purchase price of \$85.0 million in cash.

The preliminary purchase price allocation of the acquired business is as follows (in thousands):

Goodwill		\$ 70,803
Operating licenses		10,960
Property, plant, and equipment		3,237
		<u><u>\$ 85,000</u></u>

Revenue and net income for the Covenant acquisition for the second quarter and the first six months of 2024 are not material.

The pro forma revenue and earnings for the Company for the three and six months ended June 30, as if the Covenant acquisition made in 2024 was completed on January 1, 2023 are as follows (in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Service revenues and sales	\$ 598,164	\$ 567,756	\$ 1,202,245	\$ 1,141,852
Net income	\$ 71,450	\$ 55,154	\$ 140,129	\$ 111,052
Earnings per share	\$ 4.73	\$ 3.66	\$ 9.27	\$ 7.40
Diluted earnings per share	\$ 4.68	\$ 3.62	\$ 9.16	\$ 7.32

Revenue and net income from other acquisitions made in 2024 and 2023 are not material.

Goodwill is assessed for impairment on a yearly basis as of October 1. The primary factor that contributed to the purchase price resulting in the recognition of goodwill is operational efficiencies expected as a result of integrating the operations of the Covenant locations into the existing VITAS organizational structure. All goodwill recognized is deductible for tax purposes.

Shown below is movement in Goodwill (in thousands):

	VITAS	Roto-Rooter	Total
Balance at December 31, 2023	\$ 334,063	\$ 250,954	\$ 585,017
Business combinations	70,803	6,361	77,164
Foreign currency adjustments	-	(57)	(57)
Balance at June 30, 2024	<u><u>\$ 404,866</u></u>	<u><u>\$ 257,258</u></u>	<u><u>\$ 662,124</u></u>

## 18. Recent Accounting Standards

In November 2023, the FASB issued Accounting Standards Update "ASU 2023-07 – Reportable Segments". The guidance provides enhanced disclosures about significant segment expenses. The purpose of the amendment is to provide investors with a better understanding of an entity's overall performance and assess potential future cash flows. The guidance is effective for fiscal periods beginning after December 31, 2023, and interim periods within fiscal years beginning after December 31, 2024. The Company is currently analyzing the impact of the ASU on the current footnote disclosures.

In December 2023, the FASB issued Accounting Standards Update "ASU 2023-09 – Income Tax Disclosure". The guidance provides increased transparency related to tax risk and tax planning through (1) disclosure in specific categories in the rate reconciliation and (2) provide additional information for reconciling items when a quantitative threshold is met. The guidance is effective for fiscal periods beginning after December 31, 2024. The Company is currently analyzing the impact of the ASU on the current footnote disclosures.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Executive Summary

We operate through our two wholly-owned subsidiaries, VITAS Healthcare Corporation and Roto-Rooter Group, Inc. VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its teams of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter's services are focused on providing plumbing, drain cleaning, excavation, water restoration and other related services to both residential and commercial customers. Through its network of company-owned branches, independent contractors and franchisees, Roto-Rooter offers plumbing and drain cleaning service to over 90% of the U.S. population.

The vast majority of the Company's operations are located in the United States. As both operations are service companies, our employees are the most critical resource of the Company. We have very little exposure related to customers, vendors, or employees in other regions of the world.

The following is a summary of the key operating results (in thousands except per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Service revenues and sales	\$ 595,880	\$ 553,816	\$ 1,185,113	\$ 1,113,973
Net income	\$ 70,887	\$ 53,377	\$ 135,904	\$ 107,498
Diluted EPS	\$ 4.65	\$ 3.51	\$ 8.89	\$ 7.09
Adjusted net income	\$ 83,419	\$ 62,112	\$ 163,250	\$ 126,836
Adjusted diluted EPS	\$ 5.47	\$ 4.08	\$ 10.67	\$ 8.36
Adjusted EBITDA	\$ 119,890	\$ 96,300	\$ 234,512	\$ 196,417
Adjusted EBITDA as a % of revenue	20.1 %	17.4 %	19.8 %	17.6 %

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA"), Adjusted EBITDA and Adjusted EBITDA as a percent of revenue are not measures derived in accordance with US GAAP. We provide non-GAAP measures to help readers evaluate our operating results and to compare our operating performance with that of similar companies that have different capital structures. Our non-GAAP measures should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. A reconciliation of our non-GAAP measures is presented on pages 35-37.

For the three months ended June 30, 2024, the increase in consolidated service revenues and sales was driven by a 16.7% increase at VITAS offset by a 5.0% decrease at Roto-Rooter. The increase in service revenues at VITAS is comprised primarily of a 14.4% increase in days-of-care and a geographically weighted average Medicare reimbursement rate increase of approximately 2.5%. Acuity mix shift negatively impacted revenue growth by 110-basis points in the quarter when compared to the prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 90-basis points. The decrease in service revenues at Roto-Rooter was driven by a decrease in all significant service lines.

For the six months ended June 30, 2024, the increase in consolidated service revenues and sales was driven by a 15.4% increase at VITAS offset by a 5.4% decrease at Roto-Rooter. The increase in service revenues at VITAS is comprised primarily of a 13.0% increase in days-of-care and a geographically weighted average Medicare reimbursement rate increase of approximately 2.6%. Acuity mix shift negatively impacted revenue growth by 90-basis points in the quarter when compared to the prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 70-basis points. The decrease in service revenues at Roto-Rooter was driven by a decrease in all service lines.

On April 17, 2024, VITAS completed the purchase of all hospice operations and an assisted living facility from Covenant Health and Community Services, Inc d/b/a Covenant Care ("Covenant") for an aggregated purchase price of \$85.0 million in cash.

The pro forma revenue and earnings for the Company for the three and six months ended June 30, as if the Covenant acquisition made in 2024 was completed on January 1, 2023 are as follows (in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Service revenues and sales	\$ 598,164	\$ 567,756	\$ 1,202,245	\$ 1,141,852
Net income	\$ 71,450	\$ 55,154	\$ 140,129	\$ 111,052
Earnings per share	\$ 4.73	\$ 3.66	\$ 9.27	\$ 7.40
Diluted earnings per share	\$ 4.68	\$ 3.62	\$ 9.16	\$ 7.32

Revenue and net income from other acquisitions made in 2024 and 2023 are not material.

The pandemic resulted in a significant shortage of licensed healthcare workers industry wide. VITAS was not immune to this shortage. As a result, on July 1, 2022, VITAS implemented a hiring and Retention Bonus Program for its licensed healthcare workers. It was a temporary program that helped VITAS attract and retain licensed healthcare workers during the pandemic- induced healthcare worker shortage. An eligible employee must have continued in employment for a period of one-year from July 1, 2022 to receive a bonus. Additionally, employees hired between July 1, 2022 and June 30, 2023 were eligible if they continued employment for a one-year period from their hire date. A total of \$39.5 million has been accrued since the start of the program. Payments totaling \$36.5 million have been made from July 2023 to June 2024. The remaining accrued amount will be paid in the third quarter of 2024. There was no material impact on the financial results for the quarter ended June 30, 2024. See page 38 for additional VITAS operating metrics.

Starting September 30, 2023, Chemed no longer excluded the cost of the Retention Bonus Program when presenting non-GAAP operating metrics in current or prior periods.

On June 28, 2022, we replaced our existing credit facility with a fifth amended and restated Credit Agreement ("2022 Credit Facilities"). Terms of the 2022 Credit Facilities consist of a five-year \$450.0 million revolver as well as a five-year \$100.0 million term loan. The 2022 Credit Facilities have a floating interest rate that is generally SOFR plus an additional tiered rate which varies based on our current leverage ratio. As of June 30, 2024, the interest rate is SOFR plus 100 basis points. The 2022 Credit Facilities include an expansion feature that provides the Company the opportunity to increase its revolver and/or term loan by an additional \$250.0 million.

We made prepayments totaling \$75.0 million in the first quarter of 2023, on the \$100.0 million term loan. We paid the remaining balance of \$21.3 million on April 28, 2023. There were no prepayment penalties associated with this repayment. This prepayment reduced the total borrowing capacity of the 2022 Credit Facilities from \$550.0 million to \$450.0 million.

We have issued \$45.2 million in standby letters of credit as of June 30, 2024, mainly for insurance purposes. Issued letters of credit reduce our available credit under the 2022 Credit Facilities. As of June 30, 2024, we have approximately \$404.8 million of unused lines of credit available and are eligible to be drawn down under our revolving credit facility. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

We anticipate that our operating income and cash flows will be sufficient to operate our business and meet any commitments for the foreseeable future.

VITAS 2024 revenue, prior to Medicare Cap, is estimated to increase 16.0% to 17.0% when compared to 2023. ADC is estimated to increase 13.0% to 14.0%. Full year adjusted EBITDA margin, prior to Medicare Cap, is estimated to be 19.0% to 19.5%. We are currently estimating \$8.5 million in Medicare Cap billing limitations in calendar 2024. The cost of the Retention Bonus Program negatively impacted VITAS' 2023 full adjusted EBITDA by 159 basis points.

Covenant Health is estimated to contribute approximately \$30.0 million to \$32.0 million of revenue to VITAS' full year revenue. This translates into adjusted net income attributable to Covenant Health of \$5.5 million to \$6.0 million and adjusted EBITDA of \$8.0 million to \$8.5 million.

Roto-Rooter is forecasted to have a 4.0% to 5.0% revenue decline in 2024 compared to 2023. Roto-Rooter's adjusted EBITDA margin for 2024 is expected to be 26.5% to 27.0%.

Based on the above, full-year 2024 earnings per diluted share, excluding non-cash expense for stock options, tax benefits from stock option exercises, costs related to litigation and other discrete items, is estimated to be in the range of \$23.55 to \$23.80. This guidance assumes an effective corporate tax rate on adjusted earnings of 24.3% and a diluted share count of 15.25 million shares. Chemed's previously issued 2024 guidance range was \$23.30 to \$23.70. Chemed's 2023 reported adjusted earnings per diluted share was \$20.30.

## **Financial Condition**

### **Liquidity and Capital Resources**

Material changes in the balance sheet accounts from December 31, 2023 to June 30, 2024 include the following:

- A \$14.7 million increase in investments of deferred compensation plans due mainly to market valuation gains. This resulted in a similar increase in the liability associated with deferred compensation plans.
- A \$5.9 million increase in lease right of use asset due to lease renewals. This resulted in a similar increase in the lease liability accounts.
- A \$6.8 million increase in identifiable intangible assets due primarily to the Covenant acquisition at VITAS.
- A \$77.1 million increase in goodwill due primarily to the Covenant acquisition at VITAS.
- A \$21.0 million decrease in accounts payable due to timing of payments.
- A \$6.9 million decrease in income taxes payable due to timing of payments.
- A \$10.0 million decline in accrued compensation due primarily to the payment of 2023 bonuses in the first quarter of 2024.
- A \$16.3 million decrease in other current liabilities due to payments of legal settlements at VITAS and Roto-Rooter, payments of the Retention Bonus Program implemented at VITAS and a decrease in the Medicare Cap liability at VITAS.

Net cash provided by operating activities decreased \$30.7 million from June 30, 2023 to June 30, 2024. The main drivers are an increase in earnings of \$28.4 million and a \$9.2 million increase in non-cash incentive compensation offset by a decrease of \$7.5 million in litigation settlements due to payments of settlements at VITAS and Roto-Rooter, a decline of \$12.6 million in current income taxes, a decrease in accounts payable of \$28.1 million and a decrease of \$22.5 million in accounts receivable.

Significant changes in our accounts receivable balances are typically driven by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of \$51.0 million from the Federal government for hospice services every other Friday. The timing of a period end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two-year period, as cash flow variations in one year are offset in the following year.

Management continually evaluates cash utilization alternatives, including share repurchase, debt repurchase, acquisitions and increased dividends to determine the most beneficial use of available capital resources.

### **Commitments and Contingencies**

Collectively, the terms of the 2022 Credit Facilities require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of June 30, 2024 and anticipate remaining in compliance throughout the foreseeable future.

We are subject to various lawsuits and claims in the normal course of our business. In addition, we periodically receive communications from governmental and regulatory agencies concerning compliance with Medicare and Medicaid billing requirements at our VITAS subsidiary. We establish reserves for specific, uninsured liabilities in connection with regulatory and legal action that we deem to be probable and estimable. We disclose the existence of regulatory and legal actions when we believe it is reasonably possible that a loss could occur in connection with the specific action. In most instances, we are unable to make a reasonable estimate of any reasonably possible liability due to the uncertainty of the outcome and stage of litigation. We record legal fees associated with legal and regulatory actions as the costs are incurred.

See Note 10 in the Notes to the Unaudited Consolidated Financial Statements in Item 1 above for a description of current material legal matters.

**Results of Operations**  
**Three months ended June 30, 2024 versus 2023 - Consolidated Results**

Our service revenues and sales for the second quarter of 2024 increased 7.6% versus services and sales revenues for the second quarter of 2023. Of this increase, a \$53.7 million increase was attributable to VITAS, offset by an \$11.6 million decrease at Roto-Rooter. The following chart shows the components of revenue by operating segment (in thousands):

	<b>Three months ended June 30,</b>		<b>Increase/(Decrease)</b>
	<b>2024</b>	<b>2023</b>	<b>Percent</b>
<b>VITAS</b>			
Routine homecare	\$ 324,778	\$ 278,116	16.8
General inpatient	29,071	27,401	6.1
Continuous care	24,327	21,081	15.4
Other	4,733	3,154	50.1
Subtotal	382,909	329,752	16.1
Medicare cap adjustment	(1,375)	(2,750)	50.0
Room and board - net	(3,156)	(2,904)	(8.7)
Implicit price concessions	(3,820)	(3,237)	(18.0)
Net revenue	\$ 374,558	\$ 320,861	16.7
<b>Roto-Rooter</b>			
Drain cleaning	\$ 57,865	\$ 60,362	(4.1)
Plumbing	46,046	48,719	(5.5)
Excavation	55,713	57,552	(3.2)
Other	202	184	9.8
Subtotal - short term core	159,826	166,817	(4.2)
Water restoration	42,777	44,978	(4.9)
Independent contractors	18,255	21,875	(16.5)
Outside franchisee fees	1,398	1,388	0.7
Other	5,863	4,301	36.3
Gross revenue	228,119	239,359	(4.7)
Implicit price concessions	(6,797)	(6,404)	(6.1)
Net revenue	221,322	232,955	(5.0)
<b>Total Revenues</b>	<b>\$ 595,880</b>	<b>\$ 553,816</b>	<b>7.6</b>

Days of care at VITAS during the quarters were as follows:

	<b>Three months ended June 30,</b>		<b>Increase/(Decrease)</b>
	<b>2024</b>	<b>2023</b>	<b>Percent</b>
Routine homecare	1,551,163	1,340,655	15.7
Nursing home	304,191	279,898	8.7
Respite	9,102	6,159	47.8
Subtotal routine homecare and respite	1,864,456	1,626,712	14.6
General inpatient	25,895	25,125	3.1
Continuous care	23,933	21,873	9.4
<b>Total days of care</b>	<b>1,914,284</b>	<b>1,673,710</b>	<b>14.4</b>

The increase in service revenues at VITAS is comprised primarily of a 14.4% increase in days-of-care and a geographically weighted average Medicare reimbursement rate increase of approximately 2.5%. Acuity mix shift negatively impacted revenue growth by 110-basis points in the quarter when compared to the prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 90-basis.

The decrease in drain cleaning revenues for the second quarter of 2024 versus 2023 is attributable to a 2.4% increase in price and service mix offset by a 6.5% decrease in job count. The decrease in plumbing revenues for the second quarter of 2024 versus 2023

is attributable to a 0.2% increase in price and service mix shift offset by a 5.7% decrease in job count. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues.

The consolidated gross margin was 34.6% in the second quarter of 2024 as compared with 32.4% in the second quarter of 2023. On a segment basis, VITAS' gross margin was 23.8% in the second quarter of 2024 as compared with 18.0%, in the second quarter of 2023. The increase in gross margin at VITAS is mostly the result of increased revenues and the expiration of the licensed healthcare worker Retention Bonus Program in 2023. The expense recorded in the second quarter of 2023 related to the VITAS Retention Bonus Program was \$12.8 million. The Roto-Rooter segment's gross margin was 52.9% for the second quarter of 2024 as compared with 52.3% in the second quarter of 2023.

Selling, general and administrative expenses ("SG&A") comprise (in thousands):

	Three months ended June 30,	
	2024	2023
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	\$ 96,025	\$ 91,733
Long-term incentive compensation	3,593	1,750
Impact of market value adjustments related to assets held in deferred compensation trusts	2,637	1,504
Total SG&A expenses	<u><u>\$ 102,255</u></u>	<u><u>\$ 94,987</u></u>

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the second quarter of 2024 were up 4.7% when compared to second quarter of 2023 due mainly to normal salary increases and an increase in variable selling expenses.

Other income – net comprise (in thousands):

	Three months ended June 30,	
	2024	2023
Market value adjustment on assets held in deferred compensation trusts	\$ 2,637	\$ 1,504
Interest income	3,495	113
Other	-	(8)
Total other income - net	<u><u>\$ 6,132</u></u>	<u><u>\$ 1,609</u></u>

We invest excess cash in money market funds with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. In 2023, Chemed began investing excess cash in money market funds holding US Treasuries. Deposits and withdrawals are made daily, based on the Company's excess cash balance. There are no penalties associated with withdrawals. The accounts bear interest at a normal market rate.

Our effective tax rate reconciliation is as follows (in thousands):

	Three months ended June 30,	
	2024	2023
Income tax provision calculated at the statutory federal rate	\$ 19,704	\$ 14,772
Stock compensation tax benefits	(622)	(1,501)
State and local income taxes	2,461	2,286
Other--net	1,398	1,410
Income tax provision	<u><u>\$ 22,941</u></u>	<u><u>\$ 16,967</u></u>
Effective tax rate	<u><u>24.5 %</u></u>	<u><u>24.1 %</u></u>

Net income for both periods included the following after-tax items/adjustments that (reduced) or increased after-tax earnings (in thousands):

	<b>Three months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
VITAS		
Acquisition expense	\$ (687)	\$ -
Roto-Rooter		
Amortization of reacquired franchise agreements	(1,804)	(1,729)
Acquisition expense	(34)	-
Corporate		
Stock option expense	(7,408)	(6,952)
Long-term incentive compensation	(3,221)	(1,555)
Excess tax benefits on stock compensation	622	1,501
Total	<u>\$ (12,532)</u>	<u>\$ (8,735)</u>

**Three months ended June 30, 2024 versus 2023 - Segment Results**

Net income/(loss) for the second quarter of 2024 versus the second quarter of 2023 by segment (in thousands):

	<b>Three months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
VITAS	\$ 49,252	\$ 26,128
Roto-Rooter	40,517	44,374
Corporate	(18,882)	(17,125)
	<u>\$ 70,887</u>	<u>\$ 53,377</u>

After-tax earnings as a percent of revenue at VITAS in the second quarter of 2024 was 13.1% as compared to 8.1% in the second quarter of 2023. VITAS' after-tax earnings increased primarily due to increased revenues and the expiration of the licensed healthcare worker Retention Bonus Program in 2023.

Roto-Rooter's net income was negatively impacted in the second quarter of 2024 compared to the second quarter of 2023 primarily due to declining revenue. After-tax earnings as a percent of revenue at Roto-Rooter in the second quarter of 2024 was 18.3%, as compared to 19.0% in the second quarter of 2023.

After-tax Corporate expenses for the second quarter of 2024 increased 10.3% when compared to the second quarter in 2023 due primarily to a \$2.1 million increase in stock-based compensation.

## Results of Operations

### Six months ended June 30, 2024 versus 2023 - Consolidated Results

Our service revenues and sales for the first six months of 2024 increased 6.4% versus services and sales revenues for the first six months of 2023. Of this increase, a \$97.2 million increase was attributable to VITAS, offset by a \$26.1 million decrease at Roto-Rooter. The following chart shows the components of revenue by operating segment (in thousands):

	Six months ended June 30,		Increase/(Decrease) Percent
	2024	2023	
<b>VITAS</b>			
Routine homecare	\$ 629,637	\$ 545,166	15.5
General inpatient	59,374	56,494	5.1
Continuous care	48,497	41,022	18.2
Other	8,817	6,175	42.8
Subtotal	746,325	648,857	15.0
Medicare cap adjustment	(3,750)	(5,500)	31.8
Room and board - net	(6,101)	(5,672)	(7.6)
Implicit price concessions	(7,910)	(6,346)	(24.6)
Net revenue	\$ 728,564	\$ 631,339	15.4
<b>Roto-Rooter</b>			
Drain cleaning	\$ 119,486	\$ 126,851	(5.8)
Plumbing	94,144	99,172	(5.1)
Excavation	114,331	117,128	(2.4)
Other	446	377	18.3
Subtotal - short term core	328,407	343,528	(4.4)
Water restoration	89,454	95,741	(6.6)
Independent contractors	37,871	45,175	(16.2)
Outside franchisee fees	2,890	2,739	5.5
Other	11,880	9,045	31.3
Gross revenue	470,502	496,228	(5.2)
Implicit price concessions	(13,953)	(13,594)	(2.6)
Net revenue	\$ 456,549	\$ 482,634	(5.4)
<b>Total Revenues</b>	<b>\$ 1,185,113</b>	<b>\$ 1,113,973</b>	<b>6.4</b>

Days of care at VITAS during the six months ended June 30 were as follows:

	Six months ended June 30,		Increase/(Decrease) Percent
	2024	2023	
Routine homecare	2,999,075	2,627,092	14.2
Nursing home	587,349	545,327	7.7
Respite	16,854	11,919	41.4
Subtotal routine homecare and respite	3,603,278	3,184,338	13.2
General inpatient	52,540	51,494	2.0
Continuous care	47,970	42,559	12.7
Total days of care	3,703,788	3,278,391	13.0

The increase in service revenues at VITAS is comprised primarily of a 13.0% increase in days-of-care and a geographically weighted average Medicare reimbursement rate increase of approximately 2.6%. Acuity mix shift negatively impacted revenue growth by 90-basis points when compared to the prior year revenue and level-of-care mix. The combination of Medicare cap and other contra revenue changes increased revenue growth by 70-basis points.

The decrease in drain cleaning revenues for the first six months of 2024 versus 2023 is attributable to a 2.1% increase in price and service mix offset by a 7.9% decrease in job count. The decrease in plumbing revenues for the first six months of 2024 versus 2023 is attributable to a 1.0% decrease in price and service mix shift and by a 4.1% decrease in job count. Excavation and water restoration jobs are generally sold as a result of initial calls from customers regarding drain cleaning issues.

The consolidated gross margin was 34.6% in the first six months of 2024 as compared with 33.1% in the first six months of 2023. On a segment basis, VITAS' gross margin was 23.5% in the first six months of 2024 as compared with 18.2%, in the first six months of 2023. The increase in gross margin at VITAS is mostly the result of increased revenues and the expiration of the licensed healthcare worker Retention Bonus Program in 2023. The expense recorded in the first six months of 2023 related to the VITAS Retention Bonus Program was \$23.8 million. The Roto-Rooter segment's gross margin was 52.4% for the first six months of 2024 as compared with 52.7% in the first six months of 2023. This decline was mainly the result of declining revenue.

Selling, general and administrative expenses ("SG&A") comprise (in thousands):

	Six months ended June 30,	
	2024	2023
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	\$ 194,443	\$ 189,634
Long-term incentive compensation	12,714	4,264
Impact of market value adjustments related to assets held in deferred compensation trusts	10,971	1,184
Total SG&A expenses	<u>218,128</u>	<u>195,082</u>

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the first six months of 2024 were up 2.5% when compared to the first six months of 2023 due mainly to normal salary increases and an increase in variable selling expenses.

Other income – net comprise (in thousands):

	Six months ended June 30,	
	2024	2023
Market value adjustment on assets held in deferred compensation trusts	\$ 10,971	\$ 1,184
Interest income	7,737	263
Other	1	59
Total other income - net	<u>18,709</u>	<u>1,506</u>

	Six months ended June 30,	
	2024	2023
Income tax provision calculated at the statutory federal rate	\$ 37,446	\$ 29,717
Stock compensation tax benefits	(3,919)	(3,150)
State and local income taxes	5,422	5,226
Other--net	3,460	2,218
Income tax provision	<u>42,409</u>	<u>34,011</u>
Effective tax rate	<u>23.8 %</u>	<u>24.0 %</u>

Net income for both periods included the following after-tax items/adjustments that (reduced) or increased after-tax earnings (in thousands):

	Six months ended June 30,	
	2024	2023
VITAS		
Acquisition expense	\$ (687)	\$ -
Roto-Rooter		
Amortization of reacquired franchise agreements	(3,608)	(3,457)
Acquisition expense	(34)	-
Litigation settlements	-	(1,291)
Corporate		
Stock option expense	(14,963)	(13,962)
Long-term incentive compensation	(6,636)	(3,778)
Severance arrangement	(5,337)	-
Excess tax benefits on stock compensation	3,919	3,150
Total	<u>\$ (27,346)</u>	<u>\$ (19,338)</u>

**Six months ended June 30, 2024 versus 2023 - Segment Results**

Net income/(loss) for the first six months of 2024 versus the first six months of 2023 by segment (in thousands):

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
VITAS	\$ <b>93,221</b>	\$ 50,892
Roto-Rooter	<b>81,371</b>	92,027
Corporate	<b>(38,688)</b>	(35,421)
	<b>\$ 135,904</b>	\$ 107,498

After-tax earnings as a percent of revenue at VITAS in the first six months of 2024 was 12.8% as compared to 8.1% in the first six months of 2023. VITAS' after-tax earnings increased primarily due to increased revenues and the expiration of the licensed healthcare worker Retention Bonus Program in 2023.

Roto-Rooter's net income was negatively impacted in the first six months of 2024 compared to the first six months of 2023 primarily due to declining revenue. After-tax earnings as a percent of revenue at Roto-Rooter in the first six months of 2024 was 17.8%, as compared to 19.1% in the first six months of 2023.

After-tax Corporate expenses for the first six months of 2024 increased 9.2% when compared to the first six months in 2023 due primarily to a \$3.9 million increase in stock-based compensation and \$5.3 million in severance expense.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED JUNE 30, 2024**  
(in thousands)(unaudited)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
<b>2024 (a)</b>				
Service revenues and sales	\$ 374,558	\$ 221,322	\$ -	\$ 595,880
Cost of services provided and goods sold	285,517	104,233	-	389,750
Selling, general and administrative expenses	24,293	57,351	20,611	102,255
Depreciation	5,058	8,096	13	13,167
Amortization	26	2,520	-	2,546
Other operating expense/(income)	56	(19)	-	37
Total costs and expenses	<u>314,950</u>	<u>172,181</u>	<u>20,624</u>	<u>507,755</u>
Income/(loss) from operations	59,608	49,141	(20,624)	88,125
Interest expense	(46)	(118)	(265)	(429)
Intercompany interest income/(expense)	4,982	3,540	(8,522)	-
Other income—net	46	24	6,062	6,132
Income/(expense) before income taxes	64,590	52,587	(23,349)	93,828
Income taxes	(15,338)	(12,070)	4,467	(22,941)
Net income/(loss)	<u>\$ 49,252</u>	<u>\$ 40,517</u>	<u>\$ (18,882)</u>	<u>\$ 70,887</u>

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
<b>Pretax benefit/(cost):</b>				
Stock option expense	\$ -	\$ -	\$ (8,870)	\$ (8,870)
Long-term incentive compensation	-	-	(3,593)	(3,593)
Amortization of reacquired franchise agreements	-	(2,352)	-	(2,352)
Acquisition expense	(907)	(45)	-	(952)
Total	<u>\$ (907)</u>	<u>\$ (2,397)</u>	<u>\$ (12,463)</u>	<u>\$ (15,767)</u>
<b>After-tax benefit/(cost):</b>				
Stock option expense	\$ -	\$ -	\$ (7,408)	\$ (7,408)
Long-term incentive compensation	-	-	(3,221)	(3,221)
Amortization of reacquired franchise agreements	-	(1,804)	-	(1,804)
Acquisition expense	(687)	(34)	-	(721)
Excess tax benefits on stock compensation	-	-	622	622
Total	<u>\$ (687)</u>	<u>\$ (1,838)</u>	<u>\$ (10,007)</u>	<u>\$ (12,532)</u>

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED JUNE 30, 2023**  
(in thousands)(unaudited)

<b>2023 (a)</b>	<b>VITAS</b>	<b>Roto-Rooter</b>	<b>Corporate</b>	<b>Chemed</b>
	<b>Consolidated</b>			
Service revenues and sales	\$ 320,861	\$ 232,955	\$ -	\$ 553,816
Cost of services provided and goods sold	263,085	111,108	-	374,193
Selling, general and administrative expenses	22,656	56,012	16,319	94,987
Depreciation	4,940	7,681	13	12,634
Amortization	26	2,488	-	2,514
Other operating expense/(income)	26	(44)	-	(18)
Total costs and expenses	<u>290,733</u>	<u>177,245</u>	<u>16,332</u>	<u>484,310</u>
Income/(loss) from operations	30,128	55,710	(16,332)	69,506
Interest expense	(51)	(124)	(596)	(771)
Intercompany interest income/(expense)	4,810	2,869	(7,679)	-
Other income—net	70	35	1,504	1,609
Income/(expense) before income taxes	<u>34,957</u>	<u>58,490</u>	<u>(23,103)</u>	<u>70,344</u>
Income taxes	(8,829)	(14,116)	5,978	(16,967)
Net income/(loss)	<u>\$ 26,128</u>	<u>\$ 44,374</u>	<u>\$ (17,125)</u>	<u>\$ 53,377</u>

(a) The following amounts are included in net income (in thousands):

<b>Pretax benefit/(cost):</b>	<b>VITAS</b>	<b>Roto-Rooter</b>	<b>Corporate</b>	<b>Chemed</b>
				<b>Consolidated</b>
Stock option expense	\$ -	\$ -	\$ (8,400)	\$ (8,400)
Amortization of reacquired franchise agreements	-	(2,352)	-	(2,352)
Long-term incentive compensation	-	-	(1,750)	(1,750)
Total	<u>\$ -</u>	<u>\$ (2,352)</u>	<u>\$ (10,150)</u>	<u>\$ (12,502)</u>

<b>After-tax benefit/(cost):</b>	<b>VITAS</b>	<b>Roto-Rooter</b>	<b>Corporate</b>	<b>Chemed</b>
				<b>Consolidated</b>
Stock option expense	\$ -	\$ -	\$ (6,952)	\$ (6,952)
Long-term incentive compensation	-	(1,729)	-	(1,729)
Amortization of reacquired franchise agreements	-	-	(1,555)	(1,555)
Excess tax benefits on stock compensation	-	-	1,501	1,501
Total	<u>\$ -</u>	<u>\$ (1,729)</u>	<u>\$ (7,006)</u>	<u>\$ (8,735)</u>

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATING STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2024**  
(in thousands)(unaudited)

2024 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	\$ 728,564	\$ 456,549	\$ -	\$ 1,185,113
Cost of services provided and goods sold	557,411	217,466	\$ -	774,877
Selling, general and administrative expenses	48,085	118,611	51,432	218,128
Depreciation	10,225	16,204	25	26,454
Amortization	52	5,015	-	5,067
Other operating expense	63	66	-	129
Total costs and expenses	<u>615,836</u>	<u>357,362</u>	<u>51,457</u>	<u>1,024,655</u>
Income/(loss) from operations	112,728	99,187	(51,457)	160,458
Interest expense	(92)	(235)	(527)	(854)
Intercompany interest income/(expense)	10,176	6,982	(17,158)	-
Other income—net	75	47	18,587	18,709
Income/(expense) before income taxes	<u>122,887</u>	<u>105,981</u>	<u>(50,555)</u>	<u>178,313</u>
Income taxes	(29,666)	(24,610)	11,867	(42,409)
Net income/(loss)	<u>\$ 93,221</u>	<u>\$ 81,371</u>	<u>\$ (38,688)</u>	<u>\$ 135,904</u>

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	\$ -	\$ -	\$ (17,895)	\$ (17,895)
Long-term incentive compensation	-	-	(7,377)	(7,377)
Severance arrangement	-	-	(5,337)	(5,337)
Amortization of reacquired franchise agreements	-	(4,704)	-	(4,704)
Acquisition expense	(907)	(45)	-	(952)
Total	<u>\$ (907)</u>	<u>\$ (4,749)</u>	<u>\$ (30,609)</u>	<u>\$ (36,265)</u>

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	\$ -	\$ -	\$ (14,963)	\$ (14,963)
Long-term incentive compensation	-	-	(6,636)	(6,636)
Severance arrangement	-	-	(5,337)	(5,337)
Amortization of reacquired franchise agreements	-	(3,608)	-	(3,608)
Acquisition expense	(687)	(34)	-	(721)
Excess tax benefits on stock compensation	-	-	3,919	3,919
Total	<u>\$ (687)</u>	<u>\$ (3,642)</u>	<u>\$ (23,017)</u>	<u>\$ (27,346)</u>

**CONSOLIDATING STATEMENTS OF INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2023**  
(in thousands)(unaudited)

<b>2023 (a)</b>	<b>VITAS</b>	<b>Roto-Rooter</b>	<b>Corporate</b>	<b>Chemed Consolidated</b>
Service revenues and sales	\$ 631,339	\$ 482,634	\$ -	\$ 1,113,973
Cost of services provided and goods sold	516,739	228,159	-	744,898
Selling, general and administrative expenses	45,992	116,825	32,265	195,082
Depreciation	9,898	14,994	28	24,920
Amortization	52	4,975	-	5,027
Other operating expense	38	1,683	-	1,721
Total costs and expenses	<u>572,719</u>	<u>366,636</u>	<u>32,293</u>	<u>971,648</u>
Income/(loss) from operations	58,620	115,998	(32,293)	142,325
Interest expense	(102)	(257)	(1,963)	(2,322)
Intercompany interest income/(expense)	9,458	5,612	(15,070)	-
Other income - net	259	64	1,183	1,506
Income/(expense) before income taxes	<u>68,235</u>	<u>121,417</u>	<u>(48,143)</u>	<u>141,509</u>
Income taxes	(17,343)	(29,390)	12,722	(34,011)
Net income/(loss)	<u>\$ 50,892</u>	<u>\$ 92,027</u>	<u>\$ (35,421)</u>	<u>\$ 107,498</u>

(a) The following amounts are included in net income (in thousands):

	<b>VITAS</b>	<b>Roto-Rooter</b>	<b>Corporate</b>	<b>Chemed Consolidated</b>
Pretax benefit/(cost):				
Stock option expense	\$ -	\$ -	\$ (16,882)	\$ (16,882)
Amortization of reacquired franchise agreements	-	(4,704)	-	(4,704)
Long-term incentive compensation	-	-	(4,264)	(4,264)
Litigation settlements	-	(1,756)	-	(1,756)
Total	<u>\$ -</u>	<u>\$ (6,460)</u>	<u>\$ (21,146)</u>	<u>\$ (27,606)</u>

	<b>VITAS</b>	<b>Roto-Rooter</b>	<b>Corporate</b>	<b>Chemed Consolidated</b>
After-tax benefit/(cost):				
Stock option expense	\$ -	\$ -	\$ (13,962)	\$ (13,962)
Long-term incentive compensation	-	-	(3,778)	(3,778)
Amortization of reacquired franchise agreements	-	(3,457)	-	(3,457)
Litigation settlements	-	(1,291)	-	(1,291)
Excess tax benefits on stock compensation	-	-	3,150	3,150
Total	<u>\$ -</u>	<u>\$ (4,748)</u>	<u>\$ (14,590)</u>	<u>\$ (19,338)</u>

## Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies (in thousands)		VITAS	Roto-Rooter	Corporate	Chemed Consolidated
<b>For the three months ended June 30, 2024</b>					
Net income/(loss)	\$ 49,252	\$ 40,517	\$ (18,882)	\$ 70,887	
Add/(deduct):					
Interest expense	46	118	265	429	
Income taxes	15,338	12,070	(4,467)	22,941	
Depreciation	5,058	8,096	13	13,167	
Amortization	26	2,520	-	2,546	
EBITDA	69,720	63,321	(23,071)	109,970	
Add/(deduct):					
Intercompany interest expense/(income)	(4,982)	(3,540)	8,522	-	
Interest income	(45)	(25)	(3,425)	(3,495)	
Stock option expense	-	-	8,870	8,870	
Long-term incentive compensation	-	-	3,593	3,593	
Acquisition Expense	907	45	-	952	
<b>Adjusted EBITDA</b>	<b>\$ 65,600</b>	<b>\$ 59,801</b>	<b>\$ (5,511)</b>	<b>\$ 119,890</b>	
 <b>For the three months ended June 30, 2023</b>					
Net income/(loss)	\$ 26,128	\$ 44,374	\$ (17,125)	\$ 53,377	
Add/(deduct):					
Interest expense	51	124	596	771	
Income taxes	8,829	14,116	(5,978)	16,967	
Depreciation	4,940	7,681	13	12,634	
Amortization	26	2,488	-	2,514	
EBITDA	39,974	68,783	(22,494)	86,263	
Add/(deduct):					
Intercompany interest expense/(income)	(4,810)	(2,869)	7,679	-	
Interest income	(79)	(34)	-	(113)	
Stock option expense	-	-	8,400	8,400	
Long-term incentive compensation	-	-	1,750	1,750	
<b>Adjusted EBITDA</b>	<b>\$ 35,085</b>	<b>\$ 65,880</b>	<b>\$ (4,665)</b>	<b>\$ 96,300</b>	

## Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

### Chemed Corporation and Subsidiary Companies

(in thousands)

For the six months ended June 30, 2024

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	\$ 93,221	\$ 81,371	\$ (38,688)	\$ 135,904
Add/(deduct):				
Interest expense	92	235	527	854
Income taxes	29,666	24,610	(11,867)	42,409
Depreciation	10,225	16,204	25	26,454
Amortization	52	5,015	-	5,067
EBITDA	133,256	127,435	(50,003)	210,688
Add/(deduct):				
Intercompany interest expense/(income)	(10,176)	(6,982)	17,158	-
Interest income	(75)	(47)	(7,615)	(7,737)
Stock option expense	-	-	17,895	17,895
Long-term incentive compensation	-	-	7,377	7,377
Severance arrangement	-	-	5,337	5,337
Acquisition expense	907	45	-	952
Adjusted EBITDA	<u>\$ 123,912</u>	<u>\$ 120,451</u>	<u>\$ (9,851)</u>	<u>\$ 234,512</u>

For the six months ended June 30, 2023

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	\$ 50,892	\$ 92,027	\$ (35,421)	\$ 107,498
Add/(deduct):				
Interest expense	102	257	1,963	2,322
Income taxes	17,343	29,390	(12,722)	34,011
Depreciation	9,898	14,994	28	24,920
Amortization	52	4,975	-	5,027
EBITDA	78,287	141,643	(46,152)	173,778
Add/(deduct):				
Intercompany interest expense/(income)	(9,458)	(5,612)	15,070	-
Interest income	(199)	(64)	-	(263)
Stock option expense	-	-	16,882	16,882
Long-term incentive compensation	-	-	4,264	4,264
Litigation settlements	-	1,756	-	1,756
Adjusted EBITDA	<u>\$ 68,630</u>	<u>\$ 137,723</u>	<u>\$ (9,936)</u>	<u>\$ 196,417</u>

**RECONCILIATION OF ADJUSTED NET INCOME**  
**(in thousands, except per share data)(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income as reported	\$ 70,887	\$ 53,377	\$ 135,904	\$ 107,498
Add/(deduct) pre-tax cost of:				
Stock option expense	8,870	8,400	17,895	16,882
Long-term incentive compensation	3,593	1,750	7,377	4,264
Severance arrangement	-	-	5,337	-
Amortization of reacquired franchise agreements	2,352	2,352	4,704	4,704
Acquisition expense	952	-	952	-
Litigation settlements	-	-	-	1,756
Add/(deduct) tax impacts:				
Tax impact of the above pre-tax adjustments (1)	(2,613)	(2,266)	(5,000)	(5,118)
Excess tax benefits on stock compensation	(622)	(1,501)	(3,919)	(3,150)
Adjusted net income	<u><u>\$ 83,419</u></u>	<u><u>\$ 62,112</u></u>	<u><u>\$ 163,250</u></u>	<u><u>\$ 126,836</u></u>
Diluted Earnings Per Share As Reported				
Net income	\$ 4.65	\$ 3.51	\$ 8.89	\$ 7.09
Average number of shares outstanding	<u><u>15,251</u></u>	<u><u>15,219</u></u>	<u><u>15,295</u></u>	<u><u>15,167</u></u>
Adjusted Diluted Earnings Per Share				
Adjusted net income	\$ 5.47	\$ 4.08	\$ 10.67	\$ 8.36
Adjusted average number of shares outstanding	<u><u>15,251</u></u>	<u><u>15,219</u></u>	<u><u>15,295</u></u>	<u><u>15,167</u></u>

(1) The tax impact of pre-tax adjustments was calculated using the effective tax rate of the operating unit for which each adjustment is associated.

**CHEMED CORPORATION AND SUBSIDIARY COMPANIES**  
**OPERATING STATISTICS FOR VITAS SEGMENT**  
(unaudited)

OPERATING STATISTICS	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenue (\$000)				
Homecare	\$ 324,778	\$ 278,116	\$ 629,637	\$ 545,166
Inpatient	29,071	27,401	59,374	56,494
Continuous care	24,327	21,081	48,497	41,022
Other	4,733	3,154	8,817	6,175
Subtotal	<b>\$ 382,909</b>	<b>\$ 329,752</b>	<b>\$ 746,325</b>	<b>\$ 648,857</b>
Room and board, net	(3,156)	(2,904)	(6,101)	(5,672)
Contractual allowances	(3,820)	(3,237)	(7,910)	(6,346)
Medicare cap allowance	(1,375)	(2,750)	(3,750)	(5,500)
Total	<b>\$ 374,558</b>	<b>\$ 320,861</b>	<b>\$ 728,564</b>	<b>\$ 631,339</b>
Net revenue as a percent of total before Medicare cap allowances				
Homecare	84.8%	84.3%	84.4%	84.0%
Inpatient	7.6	8.3	8.0	8.7
Continuous care	6.4	6.4	6.5	6.3
Other	1.2	1.0	1.1	1.0
Subtotal	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Room and board, net	(0.8)	(0.8)	(0.8)	(0.9)
Contractual allowances	(1.0)	(1.0)	(1.1)	(1.0)
Medicare cap allowance	(0.4)	(0.8)	(0.5)	(0.8)
Total	<b>97.8%</b>	<b>97.4%</b>	<b>97.6%</b>	<b>97.3%</b>
Days of care				
Homecare	1,551,163	1,340,655	2,999,075	2,627,092
Nursing home	304,191	279,898	587,349	545,327
Respite	9,102	6,159	16,854	11,919
Subtotal routine homecare and respite	<b>1,864,456</b>	<b>1,626,712</b>	<b>3,603,278</b>	<b>3,184,338</b>
Inpatient	25,895	29,125	52,540	51,494
Continuous care	23,933	21,873	47,970	42,559
Total	<b>1,914,284</b>	<b>1,673,710</b>	<b>3,703,788</b>	<b>3,278,391</b>
Number of days in relevant time period	91	91	182	181
Average daily census (days)				
Homecare	17,046	14,732	16,478	14,514
Nursing home	3,343	3,076	3,227	3,013
Respite	100	68	93	66
Subtotal routine homecare and respite	<b>20,489</b>	<b>17,876</b>	<b>19,798</b>	<b>17,593</b>
Inpatient	284	276	288	286
Continuous care	263	240	264	235
Total	<b>21,036</b>	<b>18,392</b>	<b>20,350</b>	<b>18,114</b>
Total Admissions	17,334	15,611	32,245	31,790
Total Discharges	15,898	15,104	32,068	30,509
Average length of stay (days)	100.6	99.5	102.2	99.7
Median length of stay (days)	18.0	16.0	17.0	15.0
ADC by major diagnosis				
Cerebro	42.5%	41.9%	43.4%	42.0%
Neurological	13.3	18.8	13.4	19.0
Cancer	10.0	10.8	10.0	10.6
Cardio	16.2	16.1	16.2	16.0
Respiratory	7.3	7.1	7.3	7.2
Other	10.7	5.3	9.7	5.2
Total	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Admissions by major diagnosis				
Cerebro	27.1%	25.9%	27.4%	26.2%
Neurological	8.3	10.1	7.9	10.4
Cancer	25.0	27.1	24.8	25.9
Cardio	16.1	16.3	15.9	16.3
Respiratory	9.6	9.8	10.1	10.4
Other	13.9	10.8	13.9	10.8
Total	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Estimated uncollectible accounts as a percent of revenues	1.0%	1.0%	1.1%	1.0%
Accounts receivable				
Days of revenue outstanding- excluding unapplied Medicare payments	38.8	35.2	n.a.	n.a.
Days of revenue outstanding- including unapplied Medicare payments	34.7	22.6	n.a.	n.a.

### **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 Regarding Forward-Looking Information**

Certain statements contained in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe", "expect", "hope", "anticipate", "plan" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. These forward-looking statements are based on current expectations and assumptions and involve various known and unknown risks, uncertainties, contingencies and other factors, which could cause Chemed's actual results to differ from those expressed in such forward-looking statements. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. In addition, our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of projections and other financial matters. Investors are cautioned that such forward-looking statements are subject to inherent risk and there are no assurances that the matters contained in such statements will be achieved. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The Company's primary market risk exposure relates to interest rate risk exposure through its variable interest line of credit. At June 30, 2024, the Company had no variable rate debt outstanding. For each \$10 million borrowed under the credit facility, an increase or decrease of 100 basis points (1%), increases or decreases the Company's annual interest expense by \$100,000.

The Company continually evaluates this interest rate exposure and periodically weighs the cost versus the benefit of fixing the variable interest rates through a variety of hedging techniques.

#### **Item 4. Controls and Procedures**

We carried out an evaluation, under the supervision of the Company's President and Chief Executive Officer and with the participation of the Vice President, Chief Financial Officer and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the President and Chief Executive Officer and Vice President, Chief Financial Officer and Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in our internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **PART II. OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

For information regarding the Company's legal proceedings, see Note 10, Legal and Regulatory Matters, under Part I, Item I of this Quarterly Report on Form 10-Q.

#### **Item 1A. Risk Factors**

There have been no other material changes from the risk factors previously disclosed in the Company's most recent Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Item 2(c). Purchases of Equity Securities by Issuer and Affiliated Purchasers**

The following table shows the activity related to our share repurchase program for the first six months of 2024:

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
<b><u>February 2021 Program</u></b>				
January 1 through January 31, 2024	-	\$ -	10,591,123	\$ 314,054,431
February 1 through February 29, 2024	-	\$ -	10,591,123	\$ 314,054,431
March 1 through March 31, 2024	50,000	\$ 646.87	10,641,123	\$ 281,710,685
First Quarter Total	<u>50,000</u>	<u>\$ 646.87</u>		
April 1 through April 30, 2024	11,500	\$ 566.75	10,652,623	\$ 275,193,028
May 1 through May 31, 2024	54,231	\$ 562.69	10,706,854	\$ 244,677,666
June 1 through June 30, 2024	34,269	\$ 546.69	10,741,123	\$ 225,943,169
Second Quarter Total	<u>100,000</u>	<u>\$ 557.68</u>		

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit No.	Description
<a href="#">31.1</a>	<a href="#">Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.</a>
<a href="#">31.2</a>	<a href="#">Certification by Michael D. Witzeman pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.</a>
<a href="#">32.1</a>	<a href="#">Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2</a>	<a href="#">Certification by Michael D. Witzeman pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	The following materials from Chemed Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) The Condensed Consolidated Balance Sheet, (ii) The Condensed Consolidated Statement of Income, (iii) The Condensed Consolidated Statement of Cash Flows, (iv) The Condensed Statement of Equity, and (v) Notes to the Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in iXBRL and contained in Exhibit 101.

**SIGNATURES**

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

\_\_\_\_\_  
Chemed Corporation  
(Registrant)

Dated: July 26, 2024 By: \_\_\_\_\_

*/s/ Kevin J. McNamara*  
Kevin J. McNamara  
(President and Chief Executive Officer)

Dated: July 26, 2024 By: \_\_\_\_\_

*/s/ Michael D. Witzeman*  
Michael D. Witzeman  
(Vice President, Chief Financial Officer and Controller)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Kevin J. McNamara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors or persons performing the equivalent function:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 26, 2024

/s/ Kevin J. McNamara

Kevin J. McNamara

(President and Chief Executive Officer)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Michael D. Witzeman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors or persons performing the equivalent function:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2024

/s/ Michael D. Witzeman

Michael D. Witzeman  
(Vice President, Controller, and Chief  
Financial Officer)

CERTIFICATION BY KEVIN J. McNAMARA  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation ("Company"), does hereby certify that:

- 1) the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2024 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 26, 2024

/s/ Kevin J. McNamara  
Kevin J. McNamara  
(President and Chief Executive Officer)

CERTIFICATION BY MICHAEL D. WITZEMAN  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Executive Vice President and Chief Financial Officer of Chemed Corporation ("Company"), does hereby certify that:

- 1) the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2024 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 26, 2024

/s/ Michael D. Witzeman

Michael D. Witzeman  
(Vice President, Controller and Chief Financial Officer)