

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

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended March 31, 1997

Commission File Number 1-8351

CHEMED CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 31-0791746
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

2600 Chemed Center, 255 E. Fifth Street, Cincinnati, Ohio 45202

(Address of principal executive offices) (Zip code)

(513) 762-6900
(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 period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

Class	Amount	Date
Capital Stock \$1 Par Value	10,032,599 Shares	April 30, 1997

Page 1 of 12

CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

Index

Page No.

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements	
Consolidated Balance Sheet - March 31, 1997 and December 31, 1996	3
Consolidated Statement of Income - Three months ended March 31, 1997 and 1996	4
Consolidated Statement of Cash Flows - Three months ended March 31, 1997 and 1996	5

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

7 - 10

PART II. OTHER INFORMATION

11

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

	March 31, 1997	December 31, 1996
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 17,797	\$ 11,935
Accounts receivable, less allowances of \$2,971 (1996 - \$2,925)	79,719	77,622
Inventories		
Raw materials	6,615	6,515
Finished goods and general merchandise	44,814	45,873
Statutory deposits	18,133	19,962
Other current assets	32,234	30,452
	-----	-----
Total current assets	199,312	192,359
Other investments	44,793	62,098
Properties and equipment, at cost less accumulated depreciation of \$59,360 (1996 - \$56,653)	84,184	83,259
Identifiable intangible assets less accumulated amortization of \$4,256 (1996 - \$3,977)	17,016	17,295
Goodwill less accumulated amortization of \$26,672 (1996 - \$25,292)	185,847	186,933
Other assets	17,483	17,406
	-----	-----
Total Assets	\$ 548,635	\$ 559,350
	=====	=====
LIABILITIES		
Current liabilities		
Accounts payable	\$ 25,575	\$ 25,747
Bank notes and loans payable	5,000	5,000
Current portion of long-term debt	13,074	12,550
Income taxes	9,787	5,209
Deferred contract revenue	25,184	24,735
Other current liabilities	45,309	51,307
	-----	-----
Total current liabilities	123,929	124,548
Deferred income taxes	2,358	6,650
Long-term debt	158,092	158,168
Other liabilities and deferred income	40,105	41,273
Minority interest	11,215	10,820
	-----	-----
Total Liabilities	335,699	341,459
	-----	-----
STOCKHOLDERS' EQUITY		
Capital stock-authorized 15,000,000 shares \$1 par; issued 12,858,264 shares (1996 - 12,767,565 shares)	12,858	12,768
Paid-in capital	153,785	150,296
Retained earnings	142,583	139,262
Treasury stock - 2,825,975 shares (1996 - 2,815,655 shares), at cost	(83,314)	(82,943)
Unearned compensation	(28,656)	(27,554)
Unrealized appreciation on investments	15,680	26,062
	-----	-----
Total Stockholders' Equity	212,936	217,891
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 548,635	\$ 559,350
	=====	=====

See accompanying notes to unaudited financial statements.

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

	Three Months Ended March 31,	
	1997	1996
Sales	\$ 94,932	\$ 99,763
Service revenues	73,620	67,698
	168,552	167,461
Cost of goods sold	64,311	68,590
Cost of services provided	45,104	41,113
Selling and marketing expenses	24,698	24,258
General and administrative expenses	24,037	23,516
Depreciation	3,947	2,973
	162,097	160,450
Income from operations	6,455	7,011
Interest expense	(2,756)	(1,931)
Other income - net	10,227	16,298
	13,926	21,378
Income before income taxes and minority interest	13,926	21,378
Income taxes	(5,333)	(7,974)
Minority interest in earnings of subsidiaries	(106)	(1,207)
	\$ 8,487	\$ 12,197
	=====	=====
Earnings Per Common Share		
Net income	\$.85	\$ 1.24
	=====	=====
Average number of shares outstanding	10,002	9,867
	=====	=====
Cash Dividends Paid Per Share	\$.52	\$.52
	=====	=====

See accompanying notes to unaudited financial statements.

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

	Three Months Ended March 31,	
	1997	1996
Cash Flows From Operating Activities		
Net income	\$ 8,487	\$12,197
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of investments	(9,079)	(14,208)
Depreciation and amortization	5,927	4,611
Provision for deferred income taxes	202	(2,631)
Provision for uncollectible accounts receivable	183	459
Minority interest in earnings of subsidiaries	106	1,207
Changes in operating assets and liabilities, excluding amounts acquired in business combinations		
(Increase)/decrease in accounts receivable	(2,105)	4,960
Decrease in inventories and other current assets	215	2,789
(Increase)/decrease in statutory deposits	1,829	(191)
Decrease in accounts payable, deferred contract revenue and other current liabilities	(2,483)	(5,307)
Increase in income taxes	5,010	11,001
Other - net	(1,693)	(2,771)
Net cash provided by operating activities	6,599	12,116
Cash Flows From Investing Activities		
Proceeds from sale of investments	10,474	26,556
Capital expenditures	(4,424)	(4,177)
Business combinations, net of cash acquired	(3,674)	(2,198)
Net cash outflow from discontinued operations	(661)	(4,294)
Other - net	105	252
Net cash provided/(used) by investing activities	1,820	16,139
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	25,000	-
Repayment of long-term debt	(23,066)	(64)
Dividends paid	(5,217)	(5,137)
Issuance of capital stock	55	165
Purchase of treasury stock	-	(870)
Other - net	671	429
Net cash used by financing activities	(2,557)	(5,477)
Increase In Cash And Cash Equivalents	5,862	22,778
Cash and cash equivalents at beginning of period	11,935	19,187
Cash and cash equivalents at end of period	\$ 17,797	\$41,965

See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES

Notes to Unaudited Financial Statements

1. The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, they do not include all the disclosures required under generally accepted accounting principles for complete financial statements. However, in the opinion of the management of Chemed Corporation (the "Company"), the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows of the Company and its consolidated subsidiaries ("Chemed"). For further information regarding Chemed's accounting policies, refer to the consolidated financial statements and notes included in Chemed's Annual Report on Form 10-K for the year ended December 31, 1996.
2. Primary earnings per common share are computed using the weighted average number of shares of capital stock outstanding and exclude the dilutive effect of outstanding stock options as it is not material.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings Per Share, effective for reporting periods ending after December 15, 1997. Adoption of SFAS 128 in December 1997 is not expected to impact the Company's reported earnings per share.

3. In March 1997, the Company borrowed \$25 million under a long term note agreement ("Senior Notes") with New York Life Insurance Company and New York Life Insurance and Annuity Corporation. The Senior Notes bear interest at 7.31% per annum, payable on March 15 and September 15 of each year. Principal payments of \$5,000,000 are due annually on March 15, 2005 through 2009. The proceeds of the Senior Notes were used to reduce borrowings under the Company's revolving credit agreement with Bank of America.

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

Financial Condition

Cash and cash equivalents increased from \$11.9 million at December 31, 1996 to \$17.8 million at March 31, 1997, primarily due to the sale of investments during the first quarter of 1997. Other investments declined from \$62.1 million at December 31, 1996 to \$44.8 million at March 31, 1997 due to the sale of investments (\$10.5 million) and to a decline in market prices of investments owned during the quarter (\$6.8 million).

Income taxes increased from \$5.2 million at December 31, 1996 to \$9.8 million at March 31, 1997 due to the accrual of income taxes on first quarter income and the lack of required federal tax payments in 1997. Other current liabilities declined from \$51.3 million at December 31, 1996 to \$45.3 million due to the payment in February 1997 of 1996 incentive compensation and to the payment in March 1997 of a contingent payment related to the 1994 acquisition of Patient Care.

Vitas Healthcare Corporation, ("Vitas"), the privately-held provider of hospice services to the terminally ill in which the Company carries an investment of \$27 million of redeemable preferred stock, is continuing to explore long-term financing alternatives to increase its liquidity. On the basis of current information, management believes the Company's investment in Vitas is fully recoverable and that no permanent impairment exists.

At March 31, 1997 Chemed had approximately \$50.3 million of unused lines of credit with various banks. Management believes its liquidity and sources of capital are satisfactory for the Company's needs in the foreseeable future.

Results of Operations

Sales and service revenues and operating profit from continuing operations by business segment follow (in thousands):

	Three Months Ended March 31,	
	----- 1997	----- 1996
	-----	-----
Sales and Service Revenues		

Roto-Rooter	\$ 51,724	\$ 47,783
National Sanitary Supply	74,349	77,277
Patient Care	25,933	23,890
Omnia Group	16,546	18,511
	-----	-----
Total	\$168,552	\$167,461
	=====	=====
Operating Profit		

Roto-Rooter	\$ 4,461	\$ 4,199
National Sanitary Supply	1,434	1,884
Patient Care	985	1,073
Omnia Group	688	1,493
	-----	-----
Total	\$ 7,568	\$ 8,649
	=====	=====

Data relating to (a) the increase or decrease in sales and service revenues and (b) operating profit as a percent of sales and service revenues are set forth below:

	Sales and Service Revenues % Increase/ (Decrease)	Operating Profit as a % of Sales (Operating Margin)	
	----- 1997 vs. 1996 -----	----- 1997	----- 1996 -----
	-----	-----	-----
Roto-Rooter	8 %	8.6%	8.8%
National Sanitary Supply	(4)	1.9	2.4
Patient Care	9	3.8	4.5
Omnia Group	(11)	4.2	8.1
Total	1	4.5	5.2

Sales and service revenues for the Roto-Rooter segment for the first quarter of 1997 totalled \$51,724,000, an increase of 8% over the \$47,783,000 recorded in the first quarter of 1996. Revenues of the plumbing services business, the drain cleaning business and the service contract business increased 10%, 6% and 7%, respectively, for the first quarter of 1997, as compared with revenues recorded in the first quarter of 1996. These revenues accounted for 26%, 32% and 31%, respectively, of Roto-Rooter's total sales and service revenues during the 1997 period. The operating margin of the Roto-Rooter segment in the first quarter of 1997 was 8.6% as compared with 8.8% during the first quarter of 1996. This decline was attributable to the additional goodwill amortization recorded in the 1997 period due to the purchase of Roto-Rooter's minority interest by Chemed in September 1996. Excluding this additional amortization the operating margin for the first quarter of 1997 would have been 9.4%, reflecting lower general administrative expenses as a percent of sales during the 1997 period.

Sales of the National Sanitary Supply segment for the first quarter of 1997 totalled \$74,349,000 as compared with \$77,277,000 in the prior year first quarter. Also, the operating margin for the first quarter of 1997 was 1.9% as compared with 2.4% during the comparable period of 1996. These declines were due to the loss in the first quarter of 1996 of a large fast-food customer, as well as deflationary pricing in National Sanitary Supply's paper line. The loss of this customer will no longer impact revenue comparisons beginning in the second quarter of 1997.

Total revenues of the Patient Care segment increased 9% from \$23,890,000 during the first quarter of 1996 to \$25,933,000 in the first quarter of 1997. This revenue increase is attributable to increased business referrals as well as to growing demand for home-based health care services. The operating margin declined from 4.5% during the first quarter of 1996 to 3.8% during the first quarter of 1997, largely as a result of a lower gross margin percentage during the 1997 quarter. This lower gross margin reflects lower reimbursement rates, particularly in the New York market. Patient Care is aggressively increasing training classes for new home-health care aides in order to lower its overall cost of labor and to improve its margin. Partially offsetting this gross margin decline were lower general and administrative expenses as a percent of sales during the 1997 quarter.

Sales of the Omnia segment declined 11% in the first quarter of 1997, from \$18,511,000 in the first quarter of 1996 to \$16,546,000 in the first quarter of 1997. Also, the operating margin of the Omnia segment declined from 8.1% during the first quarter of 1996 to 4.2% during the comparable period of 1997. These declines were due primarily to lower paper-product selling prices in 1997 as compared with the first quarter of 1996. In addition, operating expenses increased in 1997, due to favorable expense reductions recorded in the first quarter of 1996. Significantly, Omnia has maintained its market share, and the gross margin in the first quarter of 1997 increased when compared with the gross margin for the last quarter of 1996.

Income from operations declined from \$7,011,000 in the first three months in 1996 to \$6,455,000 during the first three months of 1997, largely as a result of lower operating profit in the National Sanitary Supply and Omnia Group segments, offset partially by favorable reductions in corporate expenses. Interest expense for the first quarter increased from \$1,931,000 during 1996 to \$2,756,000 during 1997, largely due to the increase in total debt resulting from Chemed's purchase of the Roto-Rooter minority interest in September 1996.

Other income--net decreased from \$16,298,000 in the first quarter of 1996 to \$10,227,000 in the first quarter of 1997, primarily as a result of lower investment gains recorded in the 1997 period. During the first quarter of 1997 the Company recorded gains on the sales of investments aggregating \$9,079,000 as compared with \$14,208,000 during the first quarter of 1996. Lower interest income for the 1997 period as compared with the 1996 first quarter also contributed to this decline.

The Company's effective income tax rate during the first quarter of 1997 was 38.3% as compared with 37.3% during the first three months of 1996. This increase was attributable to a higher effective state and local income tax rate during the 1997 period.

Net income declined from \$12,197,000 (\$1.24 per share) in the 1996 first quarter to \$8,487,000 (\$.85 per share) in the 1997 first quarter, largely as a result of lower investment gains and lower income from operations recorded in the 1997 quarter. Excluding investment gains for both periods, net income declined from \$3,273,000 (\$.33 per share) for the 1996 quarter to \$2,861,000 (\$.29 per share) during the 1997 quarter.

PART II -- OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	SK 601 Ref. No.	Description	Page No.
1	(11)	Statement re: Computation of Per Share Earnings	E-1
2	(27)	Financial Data Schedule	E-2 and E-3

(b) Reports on Form 8-K - None

SIGNATURES

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

Chemed Corporation

(Registrant)

Dated: May 12, 1997

By Naomi C. Dallob
Naomi C. Dallob, Vice President and Secretary

Dated: May 12, 1997

By Arthur V. Tucker, Jr.
Arthur V. Tucker, Jr. Vice President and Controller (Principal Accounting Officer)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
 COMPUTATION OF PER SHARE EARNINGS
 (in thousands except per share data)

EXHIBIT 11

	Net Income	

	Three Months Ended	
	March 31,	

	1997	1996

Computation of Earnings Per Common		
and Common Equivalent Share (a):		

Reported Income	\$ 8,487	\$12,197
	=====	=====
Average number of shares used to compute earnings per common share	10,002	9,867
Effect of unexercised stock options	39	70
	-----	-----
Average number of shares used to compute earnings per common and common equivalent share	10,041	9,937
	=====	=====
Earnings per common and common equivalent share	\$.85	\$ 1.23
	=====	=====
Computation of Earnings Per Common Share Assuming		
Full Dilution (a):		

Reported Income	\$ 8,487	\$12,197
	=====	=====
Average number of shares used to compute earnings per common share	10,002	9,867
Effect of unexercised stock options	39	70
	-----	-----
Average number of shares used to compute earnings per common share assuming full dilution	10,041	9,937
	=====	=====
Earnings per common share assuming full dilution	\$.85	\$ 1.23
	=====	=====

(a) This calculation is submitted in accordance with Regulation S-K Item 601 (b) (11) although it is not required by APB Opinion No. 15 because it results in dilution of less than 3%.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1997 FOR CHEMED CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000019584
CHEMED CORPORATION
1,000

3-MOS		
	DEC-31-1997	
	JAN-01-1997	
	MAR-31-1997	
		17,797
		0
		82,690
		(2,971)
		51,429
	199,312	
		143,544
	(59,360)	
	548,635	
123,929		
		158,092
	0	
		0
		12,858
		200,078
548,635		
		94,932
	168,552	
		64,311
		109,415
		0
		183
	2,756	
		13,926
		5,333
8,487		
		0
		0
		0
		8,487
		.85
		.85