

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 September 30, 1994

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 ☒ 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 | 9,888,300 Shares | October 31, 1994 |
| \$1 Par Value | | |

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CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

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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

| | September 30, 1994 | December 31, 1993 |
|--|-----------------------|----------------------|
| | ----- | ----- |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 15,699 | \$ 14,615 |
| Marketable securities | 2,073 | 1,200 |
| Accounts receivable, less allowances of \$2,666 (1993 - \$2,391) | 80,012 | 58,350 |
| Current portion of note receivable | 5,479 | 5,627 |

| | | |
|--|------------|------------|
| Inventories | | |
| Raw materials | 5,871 | 6,977 |
| Finished goods and general merchandise | 51,277 | 47,768 |
| Other current assets | 12,939 | 10,677 |
| | ----- | ----- |
| Total current assets | 173,350 | 145,214 |
| Investment in affiliate | 27,769 | 30,656 |
| Other investments | 45,308 | 37,657 |
| Note receivable | 5,455 | 10,413 |
| Properties and equipment, at cost less accumulated depreciation of \$38,479 (1993 - \$33,952) | 76,736 | 70,758 |
| Identifiable intangible assets less accumulated amortization of \$1,660 (1993 - \$884) | 21,460 | 22,166 |
| Goodwill less accumulated amortization of \$16,516 (1993 - \$14,073) | 113,198 | 94,867 |
| Other assets | 18,495 | 18,522 |
| | ----- | ----- |
| Total Assets | \$ 481,771 | \$ 430,253 |
| | ===== | ===== |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 29,829 | \$ 24,124 |
| Bank notes and loans payable | 30,000 | 25,000 |
| Current portion of long-term debt | 6,218 | 5,688 |
| Income taxes | 18,052 | 20,448 |
| Deferred contract revenue | 22,915 | 23,783 |
| Other current liabilities | 37,915 | 28,606 |
| | ----- | ----- |
| Total current liabilities | 144,929 | 127,649 |
| Deferred income taxes | 1,758 | 374 |
| Long-term debt | 108,072 | 98,059 |
| Other liabilities and deferred income | 40,582 | 35,009 |
| Minority interest | 34,942 | 32,011 |
| | ----- | ----- |
| Total Liabilities | 330,283 | 293,102 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY | | |
| Capital stock-authorized 15,000,000 shares \$1 par; issued 12,366,785 (1993 - 12,087,894) shares | 12,367 | 12,088 |
| Paid-in capital | 138,674 | 132,095 |
| Retained earnings | 103,568 | 99,851 |
| Unrealized appreciation on investments | 6,895 | - |
| Treasury stock - 2,479,679 (1993 - 2,289,120) shares, at cost | (70,405) | (63,914) |
| Unearned compensation - ESOPs | (39,611) | (42,969) |
| | ----- | ----- |
| Total Stockholders' Equity | 151,488 | 137,151 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 481,771 | \$ 430,253 |
| | ===== | ===== |

See accompanying notes to unaudited financial statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
| | 1994 | 1993 | 1994 | 1993 |
| | ----- | ----- | ----- | ----- |
| Continuing Operations | | | | |
| Sales | \$124,962 | \$103,510 | \$359,288 | \$298,753 |
| Service revenues | 41,127 | 36,314 | 120,254 | 88,831 |
| | ----- | ----- | ----- | ----- |
| Total sales and service revenues | 166,089 | 139,824 | 479,542 | 387,584 |
| | ----- | ----- | ----- | ----- |
| Cost of goods sold | 85,613 | 71,470 | 244,178 | 205,734 |
| Cost of services provided | 25,254 | 22,636 | 75,061 | 51,980 |
| Selling and marketing expenses | 24,604 | 22,835 | 72,218 | 67,035 |
| General and administrative expenses | 19,914 | 13,513 | 59,862 | 40,106 |
| Depreciation | 2,651 | 2,284 | 8,034 | 6,451 |
| Nonrecurring expenses | 1,705 | - | 1,705 | - |

| | | | | |
|---|----------|----------|-----------|-----------|
| Total costs and expenses | 159,741 | 132,738 | 461,058 | 371,306 |
| Income from operations | 6,348 | 7,086 | 18,484 | 16,278 |
| Interest expense | (2,304) | (2,311) | (6,518) | (6,842) |
| Other income, net | 2,640 | 1,974 | 14,930 | 11,623 |
| Income before income taxes, equity earnings and minority interest | 6,684 | 6,749 | 26,896 | 21,059 |
| Income taxes | (2,287) | (2,230) | (10,676) | (6,956) |
| Equity in earnings of affiliate | 413 | 689 | 1,720 | 1,646 |
| Minority interest in earnings of subsidiaries | (1,187) | (1,050) | (2,959) | (2,649) |
| Income from continuing operations | 3,623 | 4,158 | 14,981 | 13,100 |
| Discontinued Operations | 1,471 | - | 3,807 | 687 |
| Income before cumulative effect of a change in accounting principle | 5,094 | 4,158 | 18,788 | 13,787 |
| Cumulative effect of a change in accounting principle | - | - | - | 1,651 |
| Net Income | \$ 5,094 | \$ 4,158 | \$ 18,788 | \$ 15,438 |
| Earnings Per Common Share | | | | |
| Income from continuing operations | \$.37 | \$.43 | \$ 1.52 | \$ 1.34 |
| Income before cumulative effect of a change in accounting principle | \$.52 | \$.43 | \$ 1.91 | \$ 1.41 |
| Net income | \$.52 | \$.43 | \$ 1.91 | \$ 1.58 |
| Average Number of Shares Outstanding | 9,867 | 9,781 | 9,846 | 9,773 |
| Cash Dividends Paid Per Share | \$.51 | \$.50 | \$ 1.53 | \$ 1.50 |

See accompanying notes to unaudited financial statements.

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

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------|
| <F1> | 1994 | 1993* |
| Cash Flows From Operating Activities | | |
| Net income | \$ 18,788 | \$ 15,438 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 11,816 | 9,828 |
| Gains on sale of investments | (10,235) | (6,023) |
| Discontinued operations | (3,807) | (687) |
| Purchase of trading securities | (2,000) | - |
| Minority interest in earnings of subsidiaries | 2,959 | 2,649 |
| Proceeds from sale of trading securities | 1,041 | - |
| Provision for uncollectible accounts receivable | 1,210 | 1,413 |
| Provision for deferred income taxes | (603) | 789 |
| Cumulative effect of a change in accounting principle | - | (1,651) |
| Changes in operating assets and liabilities, excluding amounts acquired in business combinations | | |

| | | |
|---|-----------|-----------|
| Increase in accounts receivable | (10,992) | (3,279) |
| Increase in inventories and other current assets | (3,408) | (1,596) |
| Increase in accounts payable, deferred contract revenue and other current liabilities | 8,982 | 4,530 |
| Increase/(decrease) in income taxes | 2,210 | (2,628) |
| Other - net | (1,514) | (3,435) |
| Net cash provided by operating activities | 14,447 | 15,348 |
| Cash Flows From Investing Activities | | |
| Business combinations, net of cash acquired | (17,199) | (21,057) |
| Proceeds from sale of investments | 16,788 | 7,947 |
| Capital expenditures | (14,485) | (9,375) |
| Net proceeds from sale of discontinued operations | 2,554 | 3,500 |
| Purchase of investments | (453) | (3,836) |
| Proceeds from sale of marketable securities | - | 67,962 |
| Purchase of marketable securities | - | (47,114) |
| Other - net | 1,818 | 442 |
| Net cash used by investing activities | (10,977) | (1,531) |
| Cash Flows From Financing Activities | | |
| Dividends paid | (15,071) | (14,664) |
| Proceeds from issuance of long-term debt | 10,000 | - |
| Issuance of capital stock | 7,524 | 2,992 |
| Purchase of treasury stock | (6,491) | (2,715) |
| Proceeds from issuance of bank notes and loans payable | 5,000 | - |
| Repayment of long-term debt | (3,592) | (304) |
| Other - net | 244 | (412) |
| Net cash used by financing activities | (2,386) | (15,103) |
| Increase/(Decrease) In Cash And Cash Equivalents | 1,084 | (1,286) |
| Cash and cash equivalents at beginning of period | 14,615 | 14,527 |
| Cash and cash equivalents at end of period | \$ 15,699 | \$ 13,241 |

See accompanying notes to unaudited financial statements.

<F1>

* Reclassified to conform to 1994 presentation.

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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, 1993.
2. 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.
3. Equity in earnings of affiliate represents Chemed's aftertax share of the net income of Omnicare, Inc. ("Omnicare"), a public company operating in the health care industry whose

stock is traded on the New York Stock Exchange. At September 30, 1994, the Company's investment in Omnicare of \$27,769,000 was \$3,109,000 in excess of its 21% equity interest (\$3,451,000 at December 31, 1993). The market value of the Company's investment at September 30, 1994, based on that day's closing market price of \$40 1/8, was \$92,169,000. Chemed received cash dividends totaling \$325,000 during the first nine months of 1994 (1993 - \$305,000).

During the first quarter of 1994, Chemed sold 149,900 shares of its investment in Omnicare, realizing a pretax gain of \$3,184,000 (\$1,817,000 aftertax). Similarly, Chemed sold 90,000 shares of its investment in Omnicare during the second quarter of 1994, realizing a pretax gain of \$1,750,000 (\$603,000 aftertax).

Thus, during the second quarter of 1994, Chemed increased the estimated rate used to record deferred income taxes on its share of Omnicare's earnings to recognize the fact that a portion of the unremitted earnings ultimately will be realized in the form of capital gains rather than as dividends. The cumulative effect of that adjustment relative

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to the book/tax basis difference in its investment in Omnicare resulted in a charge of \$380,000 to the income tax provision in the second quarter of 1994.

During the third quarter of 1994 Omnicare incurred one-time expenses of \$1,860,000 aftertax primarily in conjunction with a pooling-of-interests acquisition completed in September 1994. Chemed's aftertax share of these expenses totals \$352,000 (\$.04 per share).

4. Effective January 1, 1994, Chemed acquired all of the capital stock of Patient Care Inc. ("Patient Care") for cash payments aggregating \$20,582,000, including deferred payments with a present value of \$6,271,000, plus 17,500 shares of Chemed Capital Stock. Additional cash payments of up to \$10,400,000 may be made, the amount being contingent upon the earnings of Patient Care during the three-year period ended December 31, 1995. Patient Care emphasizes personal care in the home, with services including skilled nursing; medical and social work; nutrition; and other specialized services.

During the second quarter of 1994 the Company recorded an adjustment to the purchase price of Encore Services Systems, Inc. ("Encore") to recognize the accrual of a \$3,800,000 contingent payment due in June 1996. The present value of this payment, \$3,315,000, was recorded as increases to goodwill and other noncurrent liabilities.

The aggregate purchase price of Patient Care and other purchase business combinations has been allocated as follows (in thousands):

| | |
|--|----------|
| Working capital | \$ 9,717 |
| Goodwill | 20,986 |
| Long-term debt | (7,493) |
| Other assets and liabilities - net | 2,362 |
| | ----- |
| Total net assets | 25,572 |
| Less: cash and cash equivalents acquired | (182) |

| | |
|----------------------------|-----------|
| Less: deferred payments | (7,691) |
| Less: capital stock issued | (500) |
| | ----- |
| Net cash used | \$ 17,199 |
| | ===== |

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These acquisitions did not materially impact income before cumulative effect of a change in accounting principle for 1993 or 1994. In conjunction with the purchase of Patient Care, an application for the transfer of ownership of one region of Patient Care has been made with a state regulatory agency and final approval is expected to be received during November 1994.

5. Effective January 1, 1994, Chemed adopted Statement of Financial Accounting Standards No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, the Company has classified its cash equivalents and marketable securities as "trading securities" under SFAS 115 and its investments included in other investments as "available for sale." The resultant cumulative effect of adopting SFAS 115 on the Company's statement of income in 1994 was immaterial. The cumulative effect of adopting SFAS 115 on the Company's balance sheet as of January 1, 1994 was to increase stockholders' equity by \$12,975,000.

As a result of adopting SFAS 115, investments in debt and marketable equity instruments are recorded at their fair value at September 30, 1994 and nonmarketable equity investments are recorded at cost. Such investments at December 31, 1993 were recorded at amortized cost.

In computing realized gains or losses on the sale of investments, the Company uses the "specific identification" method to determine the cost of investments sold.

6. On March 4, 1994, the Company entered into a \$10,000,000 term loan agreement ("Agreement") with Fifth Third Bank. The interest rate is variable and is based on current market conditions, or at the option of the Company, the rate may be fixed based on a stipulated formula. The loan matures on March 4, 1999 and may be prepaid without penalty. The current variable interest rate is 6.4%
7. As a result of reevaluating the adequacy of accrued liabilities related to operations discontinued and sold in the second quarter of 1991, the Company recorded aftertax gains of \$2,336,000 (\$.24 per share) and \$1,471,000 (\$.15 per share), from the resolution of various tax and other issues during the second and third quarters of 1994, respectively.
8. Nonrecurring expenses of \$1,705,000 (\$1,107,000 aftertax or \$.11 per share) were recorded in the third quarter of 1994 as the result of downsizing staffs at various locations and refocussing marketing efforts at Veratex.

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9. During the third quarter of 1994, the Company recorded a favorable adjustment of \$208,000 to its income tax provision. This amount represents the cumulative adjustment for the period December 1992 through June 1994 arising from the Company's retroactive election in September 1994 relative to the amortization of intangible assets under the federal tax law changes enacted in August 1993.

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

Financial Condition

- -----

Increases in accounts receivable, goodwill and accounts payable from recorded amounts at December 31, 1993 to balances as of September 30, 1994 are primarily attributable to the Company's acquisition of Patient Care Inc. ("Patient Care") effective January 1, 1994. In addition, goodwill was increased in 1994 by the accrual of a \$3,315,000 contingent payment due in June 1996 relative to the July 1993 acquisition of Encore Service Systems

Inc. ("Encore"). The increase in other investments from \$37,657,000 at December 31, 1993 to \$45,308,000 at September 30, 1994 is primarily attributable to the Company's adoption of Statement of Financial Standards No. 115 ("SFAS 115") effective January 1, 1994. Such investments are classified as "available for sale" and include \$10,447,000 of unrealized appreciation on debt and marketable equity investments at September 30, 1994. The aftertax impact of this unrealized gain is included in stockholders' equity and amounts to \$6,895,000 at September 30, 1994.

Increases in other current liabilities and other liabilities and deferred income as of September 30, 1994 versus balances at December 31, 1993 are primarily attributable to the recording of deferred payments for the purchase of Patient Care in January 1994. The current portion of these payments included in other current liabilities amounts to \$1,856,000 at September 30, 1994 and the non-current portion amounts to \$2,520,000. Also impacting deferred income and other liabilities was the previously mentioned accrual of a contingent payment relative to the acquisition of Encore.

At September 30, 1994 Chemed had approximately \$31,750,000 of unused lines of credit with various banks. To assist with financing the purchase of Patient Care, the Company entered into a credit agreement with the Fifth Third Bank of Cincinnati, Ohio in March 1994 to borrow \$10,000,000 for a period of five years. Management believes that the Company's lines of credit, along with cash generated from operating activities and periodic sales of investments, will be sufficient to meet the Company's anticipated financing requirements.

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Results of Operations - - - - -

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 1994 | 1993 | 1994 | 1993 |
| Sales and Service Revenues - - - - - | | | | |
| National Sanitary Supply | \$ 81,232 | \$ 78,598 | \$229,667 | \$223,226 |
| Roto-Rooter | 43,057 | 38,290 | 126,493 | 94,691 |
| Veratex | 24,068 | 22,936 | 72,965 | 69,667 |
| Patient Care | 17,732 | - | 50,417 | - |
| | ----- | ----- | ----- | ----- |
| Total | \$166,089 | \$139,824 | \$479,542 | \$387,584 |
| | ===== | ===== | ===== | ===== |
| Operating Profit - - - - - | | | | |
| National Sanitary Supply | \$ 3,184 | \$ 3,032 | \$ 7,108 | \$ 6,615 |
| Roto-Rooter | 4,199 | 3,706 | 11,202 | 9,649 |

<F2>

| | | | | |
|--------------|----------|----------|-----------|-----------|
| Veratex | 720* | 1,581 | 4,105* | 4,343 |
| Patient Care | 732 | - | 1,769 | - |
| | ----- | ----- | ----- | ----- |
| Total | \$ 8,835 | \$ 8,319 | \$ 24,184 | \$ 20,607 |
| | ===== | ===== | ===== | ===== |

<F2>

* Includes \$648,000 of nonrecurring charges during the third quarter of 1994.

Data relating to (a) growth in sales and service revenues and
(b) operating profit as a percent of sales and service revenues
for each segment are set forth below:

| | Sales and Service Revenues % Increase | Operating Profit as a % of Sales (Operating Margin) | |
|-------------------------------------|---|---|-------|
| | ----- | ----- | ----- |
| | 1994 vs. 1993 | 1994 | 1993 |
| | ----- | ----- | ----- |
| Three Months Ended September 30, | | | |
| - - - - - | | | |
| National Sanitary Supply | 3% | 3.9% | 3.9% |
| Roto-Rooter | 12 | 9.8 | 9.7 |
| Veratex | 5 | 3.0 | 6.9 |
| Patient Care | n.a. | 4.1 | n.a. |
| Total | 19 | 5.3 | 5.9 |
| | | | |
| Nine Months Ended September 30, | | | |
| - - - - - | | | |
| National Sanitary Supply | 3% | 3.1% | 3.0% |
| Roto-Rooter | 34 | 8.9 | 10.2 |
| Veratex | 5 | 5.6 | 6.2 |
| Patient Care | n.a. | 3.5 | n.a. |
| Total | 24 | 5.0 | 5.3 |

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Third Quarter 1994 Versus Third Quarter 1993

- - - - -

Net sales of the National Sanitary Supply segment for the third quarter of 1994 totaled \$81,232,000, an increase of 3% over sales recorded during the third quarter of 1993. This sales growth included sales gains in many locations throughout the United States, including the large Southern California market. The operating margin of this segment was 3.9% during 1994 and 1993.

Sales and service revenues of the Roto-Rooter segment for the third quarter of 1994 totaled \$43,057,000, an increase of 12% over the \$38,290,000 recorded for the third quarter of 1993. Plumbing revenues for the third quarter of 1994, which account for approximately one-fifth of total revenues, increased 18% over amounts recorded during the comparable quarter of 1993. Most of the remainder of this revenue increase was accounted for by Roto-Rooter's sewer and drain cleaning business. The operating profit margin of the Roto-Rooter segment improved from 9.7% during the third quarter of 1993 to 9.8% during the third quarter of 1994. This increase in operating margin was attributable to a decline in insurance costs as a percent of sales and service revenues in 1994, offset partially by higher material costs (as a percent of revenues) in Roto-Rooter's plumbing and service contract businesses.

Sales of the Veratex segment increased from \$22,936,000 during the third quarter of 1993 to \$24,068,000 during the third quarter of 1994, an increase of 5%. The operating margin of Veratex declined from 6.9% during the third quarter of 1993 to 3.0% during the third quarter of 1994. Included in 1994's results are nonrecurring charges aggregating \$648,000 for the cost of staff reductions and refocussing marketing efforts at Veratex. Excluding these charges, the operating margin during the third quarter of 1994 was 5.7%. In addition, these actions are expected to generate approximately \$730,000 of cost savings annually and improve Veratex's profit performance.

Sales of the Patient Care segment acquired in January 1994, for the third quarter of 1994 totaled \$17,732,000, an increase of 29% over the sales Patient Care recorded during the third quarter of 1993. Patient Care contributed \$732,000 to Chemed's operating profit in the third quarter of 1994.

Total sales and service revenues increased 19% from \$139,824,000 during the third quarter of 1993 to \$166,089,000 during the third quarter of 1994. Excluding the sales of Encore, acquired in July of 1993, and of Patient Care, acquired in January of 1994, sales and service revenues for the third quarter of 1994 increased 6% over amounts recorded in 1993's third

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quarter. The total operating margin declined from 5.9% during the third quarter of 1994 to 5.3% during the third quarter of 1994 primarily as a result of the nonrecurring charges recorded by Veratex during the third quarter of 1994.

Income from operations declined from \$7,086,000 during the third quarter of 1993 to \$6,348,000 during the third quarter of 1994, as a result of \$1,705,000 nonrecurring charges recorded at Veratex and Chemed headquarters, offset partially by the acquisition of Patient Care.

Other income for the third quarter of 1994 totaled \$2,640,000 as compared with \$1,974,000 for the third quarter of 1993. This increase was primarily attributable to larger gains on the sales of investments in the 1994 quarter. During the third quarter of 1994 the Company realized pretax gains on the sales of investments aggregating \$1,119,000 as compared with realized gains of \$247,000 during the 1993 quarter.

During the third quarter of 1994 the Company's effective income tax rate was 34.2% as compared with 33.0% during the comparable period of 1993. The higher rate in 1994 was primarily attributable to a higher effective state and local rate in 1994 and a lower ESOP dividend tax deduction in 1994 as compared with 1993, partially offset by a favorable adjustment to deferred taxes in 1994 relating to the amortization of intangibles.

Chemed's share of the earnings of Omnicare, a 21%-owned affiliate, declined from \$689,000 in the third quarter of 1993 to \$413,000 in the third quarter of 1994. This decline was attributable to Omnicare's incurring one-time expenses totaling \$1,860,000 aftertax during the third quarter of 1994, in conjunction with a pooling-of-interests acquisition in September 1994. Chemed's aftertax share of these expenses totals \$352,000 (\$.04 per Chemed share).

Chemed's income from continuing operations declined from \$4,158,000 (\$.43 per share) during the third quarter of 1993

to \$3,623,000 (\$.37 per share) during the third quarter of 1994. Earnings for the third quarter of 1994 include a \$1,107,000 aftertax charge (\$.11 per share) for nonrecurring expenses plus a reduction of \$352,000 aftertax (\$.04 per share) in Chemed's equity earnings of Omnicare related to one-time expenses incurred by Omnicare. In addition, earnings for 1994 include aftertax gains aggregating \$735,000 (\$.08 per share) from the sales of several of the Company's investments during the third quarter of 1994. During the third quarter of 1993 the Company recorded an aftertax gain of \$152,000 (\$.02 per share) from the sales of investments. Excluding these nonrecurring charges, one-time expenses and investment gains, income from continuing operations

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for the third quarter of 1994 increased 8.5% to \$4,347,000 (\$.44 per share) as compared with \$4,006,000 (\$.41 per share) in the third quarter of 1993. Furthermore, it is expected that the downsizings of staffs which took place during the third quarter of 1994 will generate annual cost savings of approximately \$770,000 aftertax (\$.08 per share).

Net income for 1994's third quarter totaled \$5,094,000 (\$.52 per share) as compared with \$4,158,000 (\$.43 per share) for the third quarter of 1993, an increase of 23%. Net income for the third quarter of 1994 included favorable accrual adjustments relative to operations discontinued in 1991 amounting to \$1,471,000 (\$.15 per share). Given the long-term nature of these accruals, it is likely that additional adjustments may be necessary.

Nine Months Ended September 30, 1994 Versus September 30, 1993

The National Sanitary Supply segment recorded sales of \$229,667,000 during the first nine months of 1994, an increase of 3% over amounts recorded over the comparable period of 1993. National Sanitary's operating margin improved slightly from 3.0% during the first nine months of 1993 to 3.1% during the comparable period of 1994.

Sales and service revenues of the Roto-Rooter segment for the first nine months of 1994 increased by 34% as compared with amounts recorded during the first nine months of 1993. Excluding the sales of Encore, this sales growth would have been 13%. This segment's operating margin declined from 10.2% during the first nine months of 1993 to 8.9% during the first nine months of 1994. This decline was attributable to lower margins in Roto-Rooter's service contract business primarily due to the Encore acquisition, which as expected, has lower margins than those achieved in Roto-Rooter's other repair and maintenance business, and to higher material and labor costs as a percent of revenues. It is expected that the future consolidation of the purchasing functions of Encore and the existing service contract business will help lower material costs. In addition, partially offsetting this decline was an improvement in insurance claims experience which had a favorable impact of 1.5% points on Roto-Rooter's operating margin.

The Veratex segment recorded sales of \$72,965,000 during the first nine months of 1994, an increase of 5% over sales during the first nine months of 1993. The operating profit margin of Veratex declined from 6.2% during the first nine months of 1993 to 5.6% during the first nine months of 1994, primarily as a result of the aforementioned nonrecurring charges. Excluding these nonrecurring charges, Veratex's operating margin for the 1994 period was 6.5%.

The Patient Care segment contributed \$50,417,000 and \$1,769,000 to sales and operating profit, respectively, during the first nine months of 1994. Compared with its 1993 first nine months results, Patient Care sales increased 30% during the first nine months of 1994.

On a consolidated basis, Chemed sales and service revenues for the first nine months of 1994 increased 24% over amounts recorded during the first nine months of 1993. Excluding the sales of Encore and Patient Care, sales for the first nine months of 1994 increased by 6% over amounts recorded during the first nine months of 1993. The total operating margin of Chemed declined slightly from 5.3% during the first nine months of 1993 to 5.0% during first nine months of 1994.

Income from operations increased from \$16,278,000 during the first nine months of 1993 to \$18,484,000 during the first nine months of 1994, as a result of the acquisitions of Patient Care and Encore, partially offset by previously mentioned nonrecurring expenses (\$1,705,000) in 1994.

Other income for the first nine months of 1994 totaled \$14,930,000 as compared with \$11,623,000 during the first nine months of 1993. This increase was attributable to larger realized gains on the sales of portions of the Company's investments in the first nine months of 1994 versus investment gains recorded during the first nine months of 1993 (\$10,235,000 in 1994 versus \$6,023,000 in 1993), partially offset by lower interest income (due primarily to lower interest rates on cash and cash equivalents and marketable securities in 1994).

For the first nine months of 1994 the Company's effective income tax rate was 39.7% as compared with 33.0% during the comparable period of 1993. The higher rate in 1994 was attributable primarily to: (a) a lower ESOP tax credit (as a percent of pretax income) in the 1994 period; (b) a lower tax basis (versus book basis) on investments sold in 1994; (c) lower favorable tax adjustments in 1994 versus those recorded in the first nine months of 1993; and, (d) an adjustment to increase the deferred income tax provision relative to the Company's share of Omnicare's unremitted earnings, as a result of a change of the estimated tax rate.

Chemed's share of the earnings of Omnicare increased from \$1,646,000 during the first nine months of 1993 to \$1,720,000 during the first nine months of 1994. Excluding Chemed's share of Omnicare's one-time expenses, Chemed's share of Omnicare's earnings in the 1994 period would have been \$2,072,000.

Chemed's income from continuing operations increased from \$13,100,000 (\$1.34 per share) during the first nine months of 1993 to \$14,981,000 (\$1.52 per share) during the first nine months of 1994. Earnings for the nine month periods included aftertax gains of \$5,684,000, or \$.58 per share, and \$3,865,000 or \$.40 per share, in 1994 and 1993, respectively, from the sale of a portion of the Company's investments during the periods. Excluding the previously mentioned nonrecurring charges and one-time expenses as well as the investment gains, income from continuing operations increased 16.5% from \$9,235,000 (\$.94 per

share) during the first nine months of 1993 to \$10,756,000 (\$1.09 per share) in the comparable period of 1994.

Net income for 1994's first nine months totaled \$18,788,000 (\$1.91 per share) as compared with \$15,438,000 (\$1.58 per share) for the first nine months of 1993. Net income for the first nine months of 1994 and 1993 included favorable adjustments relative to discontinued operations amounting to \$3,807,000 (\$.39 per share) and \$687,000 (\$.07 per share), respectively. In addition, effective January 1, 1993 the Company recorded an aftertax gain of \$1,651,000 (\$.17 per share) from the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

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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 - E-3 |
| 2 | (27) | Financial Data Schedule | E-4 |

(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: November 11, 1994

By Naomi C. Dallob

Naomi C. Dallob
Vice President and
Secretary

Dated: November 11, 1994

By Arthur V. Tucker

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

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

| | Income from Continuing Operations | | | |
|--|-----------------------------------|----------|-------------------|----------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, | | September 30, | |
| | 1993 | 1994 | 1993 | 1994 |
| Computation of Earnings Per Common and Common | | | | |
| <F1> | | | | |
| Equivalent Share (a): | | | | |
| - | | | | |
| Reported Income | \$ 4,158 | \$ 3,623 | \$13,100 | \$14,981 |
| | ===== | ===== | ===== | ===== |
| Average number of shares used to compute earnings per common share | 9,781 | 9,867 | 9,773 | 9,846 |
| Effect of unexercised stock options | 51 | 63 | 41 | 62 |
| | ----- | ----- | ----- | ----- |
| Average number of shares used to compute earnings per common and common equivalent share | 9,832 | 9,930 | 9,814 | 9,908 |
| | ===== | ===== | ===== | ===== |
| Earnings per common and common equivalent share | \$ 0.42 | \$ 0.36 | \$ 1.33 | \$ 1.51 |
| | ===== | ===== | ===== | ===== |
| Computation of Earnings Per Common Share Assuming | | | | |
| <F1> | | | | |
| Full Dilution (a): | | | | |
| - | | | | |
| Reported Income | \$ 4,158 | \$ 3,623 | \$13,100 | \$14,981 |
| | ===== | ===== | ===== | ===== |
| Average number of shares used to compute earnings per common share | 9,781 | 9,867 | 9,773 | 9,846 |
| Effect of unexercised stock options | 59 | 68 | 59 | 76 |
| | ----- | ----- | ----- | ----- |
| Average number of shares used to compute earnings per common share assuming full dilution | 9,840 | 9,935 | 9,832 | 9,922 |
| | ===== | ===== | ===== | ===== |
| Earnings per common share assuming full dilution | \$ 0.42 | \$ 0.36 | \$ 1.33 | \$ 1.51 |
| | ===== | ===== | ===== | ===== |
| - | | | | |

<F1>

(a) This calculation is submitted in accordance with Regulation S-K Item 601
(11) although it is not required

by APB Opinion No. 15 because it results
in dilution of less than 3%.

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EXHIBIT 11
(continued)

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

| | Income Before Cumulative Effect of a Change in Accounting Principle | | | |
|--|--|-------------------|------------------------------------|-------------------|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | 1993 | 1994 | 1993 | 1994 |
| Computation of Earnings Per Common and Common <F2> Equivalent Share (a): - ----- | | | | |
| Reported Income | \$ 4,158 ===== | \$ 5,094 ===== | \$13,787 ===== | \$18,788 ===== |
| Average number of shares used to compute earnings per common share | 9,781 | 9,867 | 9,773 | 9,846 |
| Effect of unexercised stock options | 51 ----- | 63 ----- | 41 ----- | 62 ----- |
| Average number of shares used to compute earnings per common and common equivalent share | 9,832 ===== | 9,930 ===== | 9,814 ===== | 9,908 ===== |
| Earnings per common and common equivalent share | \$ 0.42 ===== | \$ 0.51 ===== | \$ 1.40 ===== | \$ 1.90 ===== |
| Computation of Earnings Per Common Share Assuming <F2> Full Dilution (a): - ----- | | | | |
| Reported Income | \$ 4,158 ===== | \$ 5,094 ===== | \$13,787 ===== | \$18,788 ===== |
| Average number of shares used to compute earnings per common share | 9,781 | 9,867 | 9,773 | 9,846 |
| Effect of unexercised stock options | 59 ----- | 68 ----- | 59 ----- | 76 ----- |
| Average number of shares used to compute earnings per common share assuming full dilution | 9,840 ===== | 9,935 ===== | 9,832 ===== | 9,922 ===== |
| Earnings per common share assuming full dilution | \$ 0.42 | \$ 0.51 | \$ 1.40 | \$ 1.89 |

<F2>

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

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EXHIBIT 11
(continued)

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

| | Net Income | | | |
|--|--------------------|----------|-------------------|----------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, | | September 30, | |
| | 1993 | 1994 | 1993 | 1994 |
| Computation of Earnings Per Common and Common | | | | |
| <F3> | | | | |
| Equivalent Share (a): | | | | |
| Reported Income | \$ 4,158 | \$ 5,094 | \$15,438 | \$18,788 |
| Average number of shares used to compute earnings per common share | 9,781 | 9,867 | 9,773 | 9,846 |
| Effect of unexercised stock options | 51 | 63 | 41 | 62 |
| Average number of shares used to compute earnings per common and common equivalent share | 9,832 | 9,930 | 9,814 | 9,908 |
| Earnings per common and common equivalent share | \$ 0.42 | \$ 0.51 | \$ 1.57 | \$ 1.90 |
| Computation of Earnings Per Common Share Assuming | | | | |
| <F3> | | | | |
| Full Dilution (a): | | | | |
| Reported Income | \$ 4,158 | \$ 5,094 | \$15,438 | \$18,788 |
| Average number of shares used to compute earnings per common share | 9,781 | 9,867 | 9,773 | 9,846 |
| Effect of unexercised stock options | 59 | 68 | 59 | 76 |
| Average number of shares used to compute earnings per common share assuming full dilution | 9,840 | 9,935 | 9,832 | 9,922 |

| | | | | |
|---------------------------|---------|---------|---------|---------|
| | ===== | ===== | ===== | ===== |
| Earnings per common share | | | | |
| assuming full dilution | \$ 0.42 | \$ 0.51 | \$ 1.57 | \$ 1.89 |
| | ===== | ===== | ===== | ===== |

- -----

<F3>

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

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 1994 FOR CHEMED CORPORATION AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000019584

<NAME> CHEMED CORPORATION

<MULTIPLIER> 1,000

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|------------------------------|-------|-------------|
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| <PERIOD-END> | | SEP-30-1994 |
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| <EPS-DILUTED> | | 1.91 |