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CRC Health Corporation Reports Operating Results for the First Quarter Ended March 31, 2009

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CUPERTINO, Calif.--(Business Wire)--

CRC Health Corporation ("CRC" or the "Company"), a leading provider of substance abuse treatment and youth services through its wholly owned consolidated subsidiaries, announced its results for the first quarter ended March 31, 2009.

Effective January 1, 2009, the Company realigned its operations and internal organization structure by combining its "youth division" with its "healthy living division." The healthy living division was previously included as a component of "corporate/other." There were no organizational changes to the Company's recovery division.

Subsequent to changes within its organization structure effective January 1, 2009, the Company has two operating divisions: recovery division and healthy living division. The recovery division provides substance abuse and behavioral disorder treatment services through residential treatment facilities and outpatient treatment clinics. The healthy living segment includes programs and treatment services for adolescent youth as well as treatment services for eating disorders, obesity, and weight management serving all age groups. Adolescent and youth treatment services include therapeutic boarding schools and educational outdoor programs for children and adolescents struggling with academic, emotional, and behavioral issues.

Consolidated net revenue for the first quarter ended March 31, 2009 decreased \$8.1 million or 7.1% to \$105.9 million compared to the same period in 2008. For the first quarter of 2009, consolidated operating expenses decreased \$3.6 million to \$96.3 million, or 3.6% compared to the same period in 2008. First quarter 2009 adjusted pro forma earnings before interest, taxes, depreciation and amortization ("EBITDA") decreased \$3.1 million, or 14.2%, to \$18.8 million compared to \$21.9 million during the same period in 2008.

During the first quarter of 2009, management continued execution of the restructuring plan initiated in fiscal 2008 (the "FY08 Plan"). The purpose of the plan is to further align the Company's resources with its strategic business plan through workforce reductions, facility consolidations, and facility exit actions. Actions under the FY08 Plan are focused on facilities which have been negatively impacted by the economic crisis and the depressed credit markets. Approximately 240 full-time positions, impacting all divisions, have been eliminated under the FY08 Plan with approximately 140 of those positions eliminated during the three months ended March 31, 2009. For the three months ended March 31, 2009, facility exit activities consist of one outdoor program in the Company's healthy living division. Facility exit activities from prior periods consist of one therapeutic boarding school and one eating disorder start-up in the Company's healthy living division and eight outpatient treatment clinics in its recovery division. The closure, sale, or disposal of these facilities are expected to be substantially complete by the end of 2009.

At March 31, 2009, the Company had incurred approximately \$4.1 million in liabilities related to the FY08 Plan. Remaining restructuring actions may

include further division consolidations and facility exit actions in future periods. Facilities which have been held for sale, or otherwise disposed as of March 31, 2009 are reflected as discontinued operations in the Company's unaudited consolidated statements of operations and in its unaudited consolidated balance sheets.

Historical Financial Results

First Quarter Ended March 31, 2009 Consolidated Financial Results:

Recovery Division:

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

- Net revenue decreased \$1.0 million, or 1.3%, to \$75.1 million for the quarter from decrease of \$2.9 million in residential treatment center revenues partially offset -facility revenue decreased \$2.0 million due to a decrease of \$3.9 million in resid comprehensive treatment center ("CTC") revenue.
- Adjusted pro forma revenue decreased \$2.4 million, or 3.1%, to \$75.1 million for th EBITDA decreased \$0.3 million, or 1.3%, to \$23.7 million for the quarter from \$24.0
- Recovery division operating expenses decreased \$0.6 million year over year due to i \$0.7 million in salaries and benefits, a decrease of \$0.5 million in supplies, faci expenses. Recovery division, same-facility operating expenses decreased \$2.2 millio treatment center salaries and benefits. The remaining \$1.0 million decrease was pri residential treatment centers.

Healthy Living Division:

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

- Net revenue decreased \$7.0 million, or 18.6%, to \$30.7 million for the quarter from driven by a lessening of demand as a result of the weak economic environment and th markets to fund the tuition. Same-facility net revenue decreased \$7.1 million, or 1 -year quarter due primarily to the aforementioned economic conditions.
- Adjusted pro forma revenue decreased \$7.1 million, or 18.8%, to \$30.7 million for t the prior year. Adjusted pro forma EBITDA decreased \$2.0 million, or 95.2%, to \$0.1
- Our healthy living division incurred a decrease of \$4.3 million in operating expens well as a \$1.3 million decrease in supplies, facilities, and other costs. Same faci quarter. \$2.6 million of the decrease was due to a decreases in salaries and benefi \$1.3 million decrease in adolescent outdoor programs, and \$0.3 million decrease in decreased expenditures in supplies, facilities, and other operating costs consistin adolescent residential boarding schools, and a combined \$0.4 million decrease in ea and amortization expenses.

Corporate:

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

- Corporate revenue was immaterial. Corporate operating expenses increased \$1.3 milli
- Adjusted pro forma revenue was immaterial. Adjusted pro forma operating expenses in

The unaudited adjusted pro forma revenue and EBITDA for the periods presented give effect to all acquisitions as if they had occurred on January 1, 2008. The pro forma adjustments are based upon available information and certain assumptions that CRC believes are reasonable. The pro forma adjusted EBITDA is for informational purposes only and does not purport to represent what CRC's result of operations or financial position would have been if the acquisitions in 2008 occurred at any date, nor does such information purport to project the

results of operations for any future period.

In order to supplement its condensed consolidated financial statements presented in accordance with GAAP, CRC is providing a summary to show the computation of EBITDA, as well as adjusted pro forma EBITDA. Adjusted pro forma EBITDA takes into account certain adjustments which are excluded from EBITDA for purposes of various covenants in the indenture governing CRC's 10% senior subordinated notes due 2016 and its senior secured credit facility, as amended to date. CRC believes that the adjusted pro forma EBITDA information presented provides useful information to both management and investors concerning its ability to meet its future debt obligations and to comply with certain covenants in its borrowing arrangements that are tied to these measures. CRC also believes that including the effect of these items allows management and investors to better compare CRC's financial performance from period-to-period, and to better compare CRC's financial performance with that of its competitors. The presentation of this additional information is not meant to be considered in isolation of, or as a substitute for, results prepared in accordance with GAAP.

CRC HEALTH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

MARCH 31, 2009 AND DECEMBER 31, 2008

(In thousands, except share amounts)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents

Accounts receivable, net of allowance for doubtful accounts of \$5,371 in 2009 and \$5,409

Prepaid expenses

Other current assets

Income taxes receivable

Deferred income taxes

Current assets of discontinued operations, facility exits

Total current assets

PROPERTY AND EQUIPMENT-Net

GOODWILL

INTANGIBLE ASSETS-Net

OTHER ASSETS

TOTAL ASSETS

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Accounts payable

Accrued liabilities

Income taxes payable

Current portion of long-term debt

Other current liabilities

Current liabilities of discontinued operations, facility exits

Total current liabilities

LONG-TERM DEBT-Less current portion

OTHER LONG-TERM LIABILITIES

OTHER LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS, FACILITY EXITS

DEFERRED INCOME TAXES

Total liabilities

COMMITMENTS AND CONTINGENCIES (Note 11)

EQUITY:

CRC HEALTH CORPORATION STOCKHOLDER'S EQUITY:

Common stock, \$0.001 par value-1,000 shares authorized; 1,000 shares issued and outstanding

Additional paid-in capital

Accumulated (deficit) retained earnings
 Accumulated other comprehensive (loss)
 Total CRC Health Corporation stockholder`s equity
 NONCONTROLLING INTEREST
 Total equity
 TOTAL LIABILITIES AND EQUITY

CRC HEALTH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
 FOR THE THREE MONTHS ENDED MARCH 31, 2009 and 2008
 (In thousands)

NET REVENUE:

Net client service revenue
 Other revenue
 Net revenue

OPERATING EXPENSES:

Salaries and benefits
 Supplies, facilities and other operating costs
 Provision for doubtful accounts
 Depreciation and amortization
 Total operating expenses

OPERATING INCOME

INTEREST EXPENSE, NET

OTHER EXPENSE

LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

INCOME TAX BENEFIT

LOSS FROM CONTINUING OPERATIONS, NET OF TAX

LOSS FROM DISCONTINUED OPERATIONS (net of tax benefit of (\$649) and (\$363) in the three

NET LOSS

LESS: NET LOSS ATTRIBUTABLE TO THE NONCONTROLLING INTEREST

NET LOSS ATTRIBUTABLE TO CRC HEALTH CORPORATION

AMOUNTS ATTRIBUTABLE TO CRC HEALTH CORPORATION COMMON SHAREHOLDERS:

LOSS FROM CONTINUING OPERATIONS, NET OF TAX

DISCONTINUED OPERATIONS, NET OF TAX

NET LOSS

Reconciliation of GAAP "Cash Flows Provided By Operating Activities" to non-GAAP "EBITDA"
 (In thousands) (unaudited)

	Three Months Ended March 31, 2009		Three Ended March 2008
Cash flows provided by (used in) operating activities	\$	2,691	\$
Amortization of debt discount and other financing costs		(1,078))
Stock-based compensation		(1,395))
Deferred income taxes		555	
Net effect of changes in non-current net assets		(28))
Net effect of working capital changes		3,841	

Interest expense and other financing costs		11,955	
Income tax benefit		(2,844))
EBITDA from continuing operations		13,697	
Interest expense and other financing costs		(11,955))
Income tax benefit		2,844	
Depreciation and amortization		(5,771))
Net loss attributable to CRC Health Corporation	\$	(1,185)) \$

Reconciliation of non-GAAP "EBITDA from continuing operations" to non-GAAP "Adjusted pro
(In thousands) (unaudited)

	Three Months Ended March 31, 2009		Three Months Ended March 31, 2008	
EBITDA from continuing operations	\$	13,697	\$	17,24
Acquisition adjustments		--		480
Adjustments for discontinued operations		244		938
Asset impairment		1,417		--
Non-impairment restructuring activities		1,442		--
Stock-based compensation expense		1,395		1,238
Additional stock-based compensation expense		--		5
Foreign exchange translation		1		--
Other nonrecurring costs		84		--
Loss (gain) on fixed asset disposal		72		(46
Management fees to Sponsor		559		545
Transaction expense		(19))	-
Write-off of cancelled acquisitions		(23))	-
Noncontrolling interest in loss of subsidiaries		(128))	(303
Franchise taxes		46		44
Write-off of miscellaneous accounts (non-cash)		--		86
Adjusted Pro forma EBITDA	\$	18,787	\$	21,85

CRC Health Corporation
Selected Statistics

Three Months
Ended

March 31,	March 31,		2009
Recovery Division:			
			29
			15
			59
			1,894
			134,391
		\$	351.46
			2,291,698
		\$	11.87
Aspen Programs:			
			27
			91,957
		\$	282.80
Weight Management:			
			15
			14,575
		\$	322.78

Conference Call

CRC Health Corporation will host a conference call, open to all interested parties, on Wednesday, May 20, 2009 beginning at 12:00 PM Pacific Time (3:00 PM Eastern Time). The number to call within the United States is (800) 753-0343. Participants outside the United States should call 913-312-1507. The conference ID is 8949604.

A replay of the conference call will be available starting at 3:00 PM Pacific Time (6:00 PM Eastern Time) on Wednesday May 20, 2009 until 3:00 PM Pacific Time (6:00 PM Eastern Time) Wednesday May 27, 2009. The replay number for callers within the United States is 888-203-1112 or 719-457-0820 from outside the United States and the conference ID for all callers is 8949604.

Forward-Looking Statements

This press release includes or may include "forward-looking statements." All statements included herein, other than statements of historical fact, may constitute forward-looking statements. Although CRC believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among others, the following factors: changes in government reimbursement for CRC's services; CRC's substantial indebtedness; changes in applicable regulations or a government investigation or assertion that CRC has violated applicable regulations; attempts by local residents to force our closure or relocation; the potentially difficult, unsuccessful or costly integration of recently acquired operations and future acquisitions; the potentially difficult, unsuccessful or costly opening and operating of new treatment facilities; the possibility that commercial payors for CRC's services may undertake future cost containment initiatives; the limited number of national suppliers of methadone used in CRC's outpatient treatment clinics; the failure to maintain established relationships or cultivate new relationships with patient referral sources; shortages in qualified healthcare workers; natural disasters such as hurricanes, earthquakes and floods; competition that limits CRC's ability to grow; the potentially costly implementation of new information systems to comply with federal and state initiatives relating to patient privacy, security of medical information and electronic transactions; the potentially costly implementation of accounting and other management systems and resources in response to financial reporting and other requirements; the loss of key members of CRC's management; claims asserted against CRC or lack of adequate available insurance; and certain restrictive covenants in CRC's debt documents.

CRC Health Corporation
Kevin Hogge, 877-272-8668
Chief Financial Officer

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