

CORINTHIAN COLLEGES INC

Form 10-Q

November 08, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

OR

“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-25283

CORINTHIAN COLLEGES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

Incorporation or organization)

33-0717312
(I.R.S. Employer

Identification No.)

6 Hutton Centre Drive, Suite 400, Santa Ana, California

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(Address of principal executive offices)

92707

(Zip Code)

(714) 427-3000

(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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act.) Yes ☐ No ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

At November 1, 2005, there were 91,439,683 shares of Common Stock of the Registrant outstanding.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2004	June 30, 2005	September 30, 2005
	(Restated) (Unaudited)		(Unaudited)
(In thousands, except per share data)			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 54,586	\$ 57,853	\$ 40,437
Restricted cash	10	10	10
Marketable securities		41,375	74,675
Accounts receivable, net of allowance for doubtful accounts of \$20,627, \$21,209 and \$20,680 at September 30, 2004, June 30, 2005 and September 30, 2005, respectively	56,921	52,555	58,796
Student notes receivable, net of allowance for doubtful accounts of \$537, \$537 and \$539 at September 30, 2004, June 30, 2005 and September 30, 2005, respectively	2,056	2,492	2,126
Deferred income taxes	25,717	18,162	18,162
Prepaid expenses and other current assets	29,968	57,518	51,372
	<u>169,258</u>	<u>229,965</u>	<u>245,578</u>
Total current assets	169,258	229,965	245,578
PROPERTY AND EQUIPMENT, net	158,603	175,901	178,272
OTHER ASSETS:			
Goodwill, net	209,999	205,982	209,225
Other intangibles, net	53,061	54,165	53,967
Student notes receivable, net of allowance for doubtful accounts of \$993, \$1,417 and \$1,697 at September 30, June 30, 2005 and September 30, 2005, respectively	2,169	3,277	2,645
Deposits and other assets	6,789	5,282	5,410
	<u>599,879</u>	<u>674,572</u>	<u>695,097</u>
TOTAL ASSETS	\$ 599,879	\$ 674,572	\$ 695,097
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 24,017	\$ 30,168	\$ 29,174
Accrued compensation and related liabilities	24,869	32,250	26,873
Accrued expenses	15,916	21,730	25,102
Prepaid tuition	58,624	55,209	62,756
Income tax payable	5,713		
Current portion of capital lease obligations	517	195	208
Current portion of long-term debt	149	155	149
	<u>129,805</u>	<u>139,707</u>	<u>144,262</u>
Total current liabilities	129,805	139,707	144,262
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	12,360	12,198	12,138
LONG-TERM DEBT, net of current portion	48,244	54,243	57,175

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DEFERRED INCOME TAXES	27,150	28,513	28,513
OTHER LIABILITIES	25,316	29,086	30,684
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Common Stock, \$0.0001 par value:			
Common Stock, 120,000 shares authorized 90,381, 91,202 and 91,405 shares issued and outstanding at September 30, 2004, June 30, 2005 and September 30, 2005, respectively	9	9	9
Additional paid-in capital	128,964	139,927	141,237
Deferred compensation	(1,377)	(2,408)	
Retained earnings	229,362	273,175	280,553
Accumulated other comprehensive income (loss)	46	122	526
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TOTAL STOCKHOLDERS' EQUITY	357,004	410,825	422,325
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 599,879	\$ 674,572	\$ 695,097
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	September 30,	
	2004	2005
	(Restated) (Unaudited)	(Unaudited)
(In thousands, except per share data)		
NET REVENUES	\$ 224,610	\$ 236,294
OPERATING EXPENSES:		
Educational services	123,578	137,277
General and administrative	19,795	22,396
Marketing and admissions	55,876	62,804
Stock based compensation	29	2,020
Total operating expenses	199,278	224,497
INCOME FROM OPERATIONS	25,332	11,797
Interest (income)	(477)	(1,201)
Interest expense	931	889
Other (income) expense, net	(177)	14
INCOME BEFORE PROVISION FOR INCOME TAXES	25,055	12,095
Provision for income taxes	10,446	4,717
NET INCOME	\$ 14,609	\$ 7,378
Income per common share:		
Basic	\$ 0.16	\$.08
Diluted	\$ 0.16	\$.08
Weighted average number of common shares outstanding:		
Basic	90,353	91,300
Diluted	92,177	92,870

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	September 30,	
	2004	2005
	(In thousands)	
	(Restated) (Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 14,609	\$ 7,378
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,910	9,566
Deferred income tax	(1,017)	
Tax benefit of stock options exercised	105	
Loss on disposal of assets		31
Stock-based compensation	29	2,020
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	(4,293)	(5,920)
Student notes receivable, net	(438)	998
Prepaid expenses and other assets	4,106	6,193
Accounts payable	817	(1,412)
Accrued expenses, compensation and related benefits	(2,986)	(2,441)
Income taxes payable	5,703	10
Prepaid tuition	9,459	6,887
Other long-term liabilities	1,942	1,653
Net cash provided by operating activities	35,946	24,963
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of schools, colleges, and training centers, net of cash acquired	(9,725)	(85)
Capital expenditures	(18,699)	(11,017)
Proceeds from sale of assets		1
Sales of (investments in) marketable securities, net		(33,300)
Net cash (used in) investing activities	(28,424)	(44,401)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on capital lease obligations and long-term debt	(1,015)	(87)
Tax benefit of stock options exercised		335
Proceeds from exercise of stock options and Employee Stock Purchase Plan	1,114	1,363
Net cash provided by financing activities	99	1,611
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	266	411
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,887	(17,416)
CASH AND CASH EQUIVALENTS, beginning of period	46,699	57,853

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CASH AND CASH EQUIVALENTS, end of period	\$ 54,586	\$ 40,437
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