

CORINTHIAN COLLEGES INC
Form 10-Q
November 06, 2013
[Table of Contents](#)

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, 2013

OR

- o 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

(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 has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Edgar Filing: CORINTHIAN COLLEGES INC - Form 10-Q

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, 2013, there were 87,044,224 shares of Common Stock of the Registrant outstanding.

Table of Contents

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

For the Quarter Ended September 30, 2013

	Page No.
<u><i>PART I FINANCIAL INFORMATION</i></u>	
<u>Item 1</u>	<u>Unaudited Financial Statements</u> 4
	<u>Condensed Consolidated Balance Sheets at September 30, 2013 (Unaudited) and June 30, 2013</u> 4
	<u>Condensed Consolidated Statements of Operations for the three months ended September 30, 2013 and 2012 (Unaudited)</u> 5
	<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended September 30, 2013 and 2012 (Unaudited)</u> 6
	<u>Condensed Consolidated Statements of Cash Flows for the three months ended September 30, 2013 and 2012 (Unaudited)</u> 7
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u> 8
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 23
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosure about Market Risk</u> 32
<u>Item 4</u>	<u>Controls and Procedures</u> 33
<u><i>PART II OTHER INFORMATION</i></u>	
<u>Item 1</u>	<u>Legal Proceedings</u> 33
<u>Item 1A</u>	<u>Risk Factors</u> 34
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 34
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u> 34
<u>Item 5</u>	<u>Other Information</u> 34
<u>Item 6</u>	<u>Exhibits</u> 35
<u>SIGNATURES</u>	36

Table of Contents

EXPLANATORY NOTE

During fiscal 2014, Corinthian Colleges, Inc. (the Company) decided to divest four Everest schools located in Brighton, MA; North Aurora, IL; Miami, FL and Kendall, FL which are available for sale (the Sale Schools). The Company will continue to operate and invest in these campuses until they are sold. The campuses are available for immediate sale in their present condition, and the Company expects to complete the sales during fiscal 2014. The Company recorded a \$2.2 million impairment charge of long-lived assets related to the Sale Schools in the current quarter.

During fiscal year 2013, the Company completed the teach-out of its Arlington, VA; Decatur, GA Milwaukee, WI; Hialeah, FL; London, Ontario (Canada) and Thunder Bay, Ontario (Canada) campuses.

Additionally, in fiscal year 2013, the Company completed the sale of the four Everest schools located in San Francisco, CA; San Jose, CA; Hayward, CA and Los Angeles, CA (the CA Sale Schools) (See Note 10 - Business Acquisitions and Dispositions for further details). The CA Sale Schools were put into discontinued operations in fiscal year 2012.

During fiscal year 2012, the Company announced that the two WyoTech schools located in Sacramento, CA and Daytona Beach, FL were available for sale. As of June 30, 2013, the campuses were not sold. As a result of the lack of acceptable offers, the Company decided to continue operations in Daytona Beach, FL and the Company taught-out the Sacramento, CA campus.

The Company had no significant continuing involvement with locations after the respective sale or teach-outs were completed. The results of operations for the sale or teach-out schools are reflected within discontinued operations in the Company's Condensed Consolidated Statements of Operations for all periods presented, unless otherwise stated. Daytona Beach, FL results are reflected within continuing operations in the Company's Condensed Consolidated Statements of Operations for all periods presented, unless otherwise stated.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

(In thousands)

	September 30, 2013	June 30, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 37,190	\$ 46,596
Accounts receivable, net of allowance for doubtful accounts of \$21,764 and \$19,002 at September 30, 2013 and June 30, 2013, respectively	95,301	76,170
Student notes receivable, net of allowance for doubtful accounts of \$5,352 and \$7,979 at September 30, 2013 and June 30, 2013, respectively	22,554	23,971
Deferred income taxes	29,095	28,961
Prepaid expenses and other current assets	114,410	109,650
Assets held for sale	502	3,256
Total current assets	299,052	288,604
PROPERTY AND EQUIPMENT, net	225,991	226,996
OTHER ASSETS:		
Goodwill	205,593	205,593
Other intangibles, net	180,575	180,800
Student notes receivable, net of allowance for doubtful accounts of \$16,834 and \$22,282 at September 30, 2013 and June 30, 2013, respectively	67,997	67,000
Deposits and other assets	76,236	54,732
Deferred income taxes	5,200	5,020
TOTAL ASSETS	\$ 1,060,644	\$ 1,028,745
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 63,690	\$ 25,239
Accrued expenses	140,228	113,741
Prepaid tuition	125,894	104,396
Current portion of capital lease obligations	824	803
Current portion of long-term debt	1,000	4,101
Liabilities held for sale	3,475	2,966
Total current liabilities	335,111	251,246
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	11,165	11,389
LONG-TERM DEBT, net of current portion	88,121	122,792
DEFERRED INCOME TAXES	16,036	16,036
OTHER LONG-TERM LIABILITIES	53,395	56,440
COMMITMENTS AND CONTINGENCIES (Note 9)		

Edgar Filing: CORINTHIAN COLLEGES INC - Form 10-Q

STOCKHOLDERS EQUITY:

Common Stock, \$0.0001 par value:

Common Stock, 120,000 shares authorized: 93,199 shares issued and 87,025 shares
outstanding at September 30, 2013 and 92,357 shares issued and 86,183 shares outstanding at
June 30, 2013

	9	9
Additional paid-in capital	259,718	258,830
Treasury stock	(56,368)	(56,368)
Retained earnings	351,144	366,098
Accumulated other comprehensive income	2,313	2,273
Total stockholders equity	556,816	570,842
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,060,644	\$ 1,028,745

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

Table of Contents**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)****(In thousands, except per share data)**

	Three Months Ended	
	September 30,	
	2013	2012
NET REVENUES	\$ 364,958	\$ 402,037
OPERATING EXPENSES:		
Educational services (including bad debt expense of \$17,888 and \$19,198 for the three months ended September 30, 2013 and 2012, respectively)	227,098	243,391
General and administrative	42,371	42,949
Marketing and admissions	101,200	97,706
Impairment, facility closing and severance charges	3,654	761
Total operating expenses	374,323	384,807
INCOME (LOSS) FROM OPERATIONS	(9,365)	17,230
Interest income	110	198
Interest expense	(1,806)	(1,292)
Other expense, net	(6,037)	(4,245)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	(17,098)	11,891
Provision (Benefit) for income taxes	(6,995)	4,584
INCOME (LOSS) FROM CONTINUING OPERATIONS	(10,103)	7,307
LOSS FROM DISCONTINUED OPERATIONS, net of tax benefit of \$2,948 and \$3,532 for the three months ended September 30, 2013 and 2012, respectively	(4,851)	(5,729)
NET INCOME (LOSS)	(14,954)	1,578
INCOME (LOSS) PER SHARE BASIC:		
Income (loss) from continuing operations	\$ (0.12)	\$ 0.09
Loss from discontinued operations	\$ (0.05)	\$ (0.07)
Net income (loss)	\$ (0.17)	\$ 0.02
INCOME (LOSS) PER SHARE DILUTED:		
Income (loss) income from continuing operations	\$ (0.12)	\$ 0.08
Loss from discontinued operations	\$ (0.05)	\$ (0.06)
Net income (loss)	\$ (0.17)	\$ 0.02
Weighted average number of common shares outstanding:		
Basic	86,591	85,486
Diluted	86,591	86,194

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

Table of Contents

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)

	Three Months Ended	
	September 30,	
	2013	2012
Net income (loss)	\$ (14,954)	\$ 1,578
Other comprehensive income (loss):		
Foreign currency translation adjustment	10	(340)
Post-retirement benefits	30	30
Other comprehensive income (loss)	40	(310)
Comprehensive income (loss)	\$ (14,914)	\$ 1,268

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

Table of Contents**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

(In thousands)

	Three months Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (14,954)	\$ 1,578
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	14,555	17,014
Stock based compensation	1,260	1,668
Deferred income taxes	(306)	
Loss on disposal of assets	73	9
Impairment charge	2,215	2,446
Changes in assets and liabilities:		
Accounts receivable, net	(18,833)	(42,172)
Student notes receivable, net	420	2,470
Prepaid expenses and other assets	(26,130)	15,606
Accounts payable	38,449	48,889
Accrued expenses and other liabilities	25,770	(9,107)
Income taxes payable		(1)
Prepaid tuition	21,580	(17,827)
Other long-term liabilities	(3,075)	(182)
Net cash provided by operating activities	41,024	20,391
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for capital expenditures	(12,906)	(7,429)
Payments made in connection with business acquisitions, net of cash acquired		(11,613)
Net cash used in investing activities	(12,906)	(19,042)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on long-term debt	84,273	50,994
Principal repayments on capital lease obligations and long-term debt	(120,032)	(92,879)
Proceeds from borrowing under student notes receivable sale agreements		8,683
Repayments on borrowing under student notes receivable sale agreements	(2,283)	(3,777)
Proceeds from exercise of stock options and employee stock purchase plan	482	520
Net cash used in financing activities	(37,560)	(36,459)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	36	188
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,406)	(34,922)
CASH AND CASH EQUIVALENTS, beginning of period	46,596	72,525
CASH AND CASH EQUIVALENTS, end of period	\$ 37,190	\$ 37,603

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash received (paid) during the period for: