

K12 INC
Form 10-Q
February 04, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2013

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: 001-33883

K12 Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

2300 Corporate Park Drive
Herndon, VA
(Address of principal executive offices)

95-4774688
(IRS Employer
Identification No.)

20171
(Zip Code)

(703) 483-7000

(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

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

As of January 24, 2014, the Registrant had 40,778,265 shares of common stock, \$0.0001 par value per share outstanding.

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For the Quarterly Period Ended December 31, 2013

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited).****K12 INC.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	December 31, 2013	June 30, 2013
	(In thousands, except share and per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 162,889	\$ 181,480
Accounts receivable, net of allowance of \$3,082 and \$2,560 at December 31, 2013 and June 30, 2013, respectively	254,350	186,459
Inventories, net	23,363	44,395
Current portion of deferred tax asset	18,571	11,368
Prepaid expenses	9,090	10,331
Other current assets	27,368	23,916
Total current assets	495,631	457,949
Property and equipment, net	56,262	56,142
Capitalized software, net	42,738	43,504
Capitalized curriculum development costs, net	61,824	64,599
Intangible assets, net	25,436	32,139
Goodwill	61,571	61,413
Deposits and other assets	5,425	3,150
Total assets	\$ 748,887	\$ 718,896
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	\$ 22,216	\$ 19,395
Current portion of note payable		390
Accounts payable	16,538	21,838
Accrued liabilities	14,585	17,027
Accrued compensation and benefits	20,541	21,970
Deferred revenue	61,160	28,567
Total current liabilities	135,040	109,187
Capital lease obligations, net of current portion	19,430	16,107
Deferred rent, net of current portion	8,796	8,833
Deferred tax liability	33,584	33,299
Other long-term liabilities	2,729	2,512
Total liabilities	199,579	169,938
Commitments and contingencies		
Redeemable noncontrolling interest	15,200	15,200
Equity:		
K12 Inc. stockholders equity		
Common stock, par value \$0.0001; 100,000,000 shares authorized; 41,111,074 and 37,440,662 shares issued and 40,826,874 and 37,440,662 outstanding at December 31,	4	4

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2013 and June 30, 2013, respectively			
Additional paid-in capital		626,421	548,390
Series A Special Stock, par value \$0.0001; 2,750,000 shares authorized, zero and 2,750,000 issued and outstanding at December 31, 2013 and June 30, 2013, respectively			63,112
Accumulated other comprehensive loss		(101)	(294)
Accumulated deficit		(89,755)	(81,050)
Treasury stock of 284,200 and zero shares at cost at December 31, 2013 and June 30, 2013, respectively		(5,883)	
Total K12 Inc. stockholders equity		530,686	530,162
Noncontrolling interest		3,422	3,596
Total equity		534,108	533,758
Total liabilities, redeemable noncontrolling interest and equity	\$	748,887	\$ 718,896

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

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	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
	(In thousands, except share and per share data)			
Revenues	\$ 223,919	\$ 206,028	\$ 452,285	\$ 427,124
Cost and expenses				
Instructional costs and services	153,672	122,799	286,574	241,446
Selling, administrative, and other operating expenses	75,753	61,379	173,996	150,998
Product development expenses	3,402			