

CORINTHIAN COLLEGES INC
Form 10-Q
May 15, 2002

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2002

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 92707
(Address of principal executive offices)

(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

At April 30, 2002, there were 21,447,730 shares of Common Stock of the Registrant outstanding.

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

INDEX

| | <u>Page No.</u> |
|-------------------------------------|--|
| PART I FINANCIAL INFORMATION | |
| Item 1. | Financial Statements |
| | <u>Condensed Consolidated Balance Sheets (Unaudited) at June 30, 2001 and March 31, 2002</u> |
| | 3 |
| | <u>Condensed Consolidated Statements of Income (Unaudited) for the three and nine months ended March 31, 2001 and 2002</u> |
| | 4 |
| | <u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended March 31, 2001 and 2002</u> |
| | 5 |
| | <u>Notes to Unaudited Condensed Consolidated Financial Statements</u> |
| | 6 |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> |
| | 9 |
| Item 3. | <u>Quantitative and Qualitative Disclosure about Market Risk</u> |
| | 13 |
| PART II OTHER INFORMATION | |
| Item 1. | <u>Legal Proceedings.</u> |
| | 14 |
| Item 2. | <u>Changes in Securities and Use of Proceeds</u> |
| | 14 |
| Item 3. | <u>Defaults Upon Senior Securities.</u> |
| | 14 |
| Item 4. | <u>Submission of Matters to a Vote of Security Holders</u> |
| | 14 |
| Item 5. | <u>Other Information</u> |
| | 14 |
| Item 6. | <u>Exhibits and Reports on Form 8-K</u> |
| | 14 |
| <u>SIGNATURES</u> | 15 |

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)
(Unaudited)

| | June 30, 2001 | March 31, 2002 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 19,738 | \$ 14,228 |
| Restricted cash | 10 | 10 |
| Marketable investments | 9,699 | 57,134 |
| Accounts receivable, net of allowance for doubtful accounts of \$7,191 and \$6,759 at June 30, 2001 and March 31, 2002, respectively | 24,368 | 22,782 |
| Student notes receivable, net of allowance for doubtful accounts of \$106 and \$125 at June 30, 2001 and March 31, 2002, respectively | 577 | 465 |
| Deferred income taxes | 4,089 | 3,634 |
| Prepaid expenses and other current assets | 9,675 | 10,126 |
| | <u>68,156</u> | <u>108,379</u> |
| Total current assets | 68,156 | 108,379 |
| PROPERTY AND EQUIPMENT, net | 22,921 | 33,468 |
| OTHER ASSETS: | | |
| Intangibles, net of accumulated amortization of \$5,819 and \$7,169 at June 30, 2001 and March 31, 2002, respectively | 44,170 | 42,910 |
| Student notes receivable, net of allowance for doubtful accounts of \$319 and \$307 at June 30, 2001 and March 31, 2002, respectively | 1,730 | 1,082 |
| Deposits and other assets | 1,659 | 1,857 |
| | <u>47,559</u> | <u>45,609</u> |
| TOTAL ASSETS | \$ 138,636 | \$ 187,696 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 7,587 | \$ 9,536 |
| Accrued compensation and related liabilities | 9,254 | 16,830 |
| Accrued expenses | 1,305 | 1,779 |
| Income tax payable | 1,280 | 3,678 |
| Prepaid tuition | 7,962 | 13,096 |
| Current portion of long-term debt | 1,046 | 150 |
| | <u>28,434</u> | <u>45,069</u> |
| Total current liabilities | 28,434 | 45,069 |
| LONG-TERM DEBT, net of current portion | 2,138 | 1,536 |
| DEFERRED INCOME | 655 | 185 |
| DEFERRED INCOME TAXES | 1,283 | 2,634 |
| OTHER LONG-TERM LIABILITIES | 563 | 607 |
| STOCKHOLDERS EQUITY: | | |
| Common Stock, \$0.0001 par value: | | |
| Common Stock, 40,000 shares authorized and 21,223 shares issued and outstanding at June 30, 2001 and 80,000 shares authorized and 21,433 shares issued and outstanding at March 31, 2002 respectively | 2 | 2 |
| Nonvoting Common Stock, 2,500 shares authorized and 0 shares issued and outstanding at June 30, 2001 and 0 shares authorized and 0 shares issued and outstanding at March 31, 2002 | | |
| Additional paid-in capital | 60,482 | 65,675 |

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| | | |
|--|-------------------|-------------------|
| Retained earnings | 45,079 | 71,988 |
| TOTAL STOCKHOLDERS EQUITY | 105,563 | 137,665 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$ 138,636 | \$ 187,696 |

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

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands except per share data)

(Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---------------------------------|-----------|--------------------------------|------------|
| | 2001 | 2002 | 2001 | 2002 |
| NET REVENUE | \$ 65,197 | \$ 88,334 | \$ 177,758 | \$ 243,595 |
| OPERATING EXPENSES: | | | | |
| Educational services | 34,903 | 43,942 | 94,268 | 127,091 |
| General and administrative | 5,257 | 7,988 | 15,326 | 20,968 |
| Marketing and advertising | 13,479 | 18,141 | 39,139 | 52,150 |
| Total operating expenses | 53,639 | 70,071 | 148,733 | 200,209 |
| INCOME FROM OPERATIONS | 11,558 | 18,263 | 29,025 | 43,386 |
| Interest (income), net | (481) | (338) | (1,644) | (1,114) |
| Other (income) | | | | (612) |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 12,039 | 18,601 | 30,669 | 45,112 |
| Provision for income taxes | 4,875 | 7,496 | 12,515 | 18,203 |
| NET INCOME AND COMPREHENSIVE INCOME | \$ 7,164 | \$ 11,105 | \$ 18,154 | \$ 26,909 |
| Net income per common share: | | | | |
| Basic | \$ 0.34 | \$ 0.52 | \$ 0.86 | \$ 1.26 |
| Diluted | \$ 0.33 | \$ 0.50 | \$ 0.84 | \$ 1.21 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 21,182 | 21,385 | 20,999 | 21,298 |
| Diluted | 21,964 | 22,414 | 21,647 | 22,206 |

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

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

| | Nine Months Ended March 31, | |
|---|--------------------------------|------------------|
| | 2001 | 2002 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 18,154 | \$ 26,909 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 3,398 | 4,825 |
| Deferred income taxes | (1,434) | 1,806 |
| (Gain) Loss on disposal of assets | | 25 |
| Changes in assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable | (10,630) | 1,586 |
| Student notes receivable | 1,267 | 760 |
| Prepaid expenses and other assets | (2,456) | (817) |
| Accounts payable | 1,542 | 1,949 |
| Accrued expenses | 2,959 | 8,050 |
| Income tax payable | 847 | 2,398 |
| Prepaid tuition | 827 | 5,134 |
| Other long term liabilities | 474 | (647) |
| | <u>14,948</u> | <u>51,978</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of schools, net of cash acquired | (17,790) | |
| Change in restricted cash | (567) | |
| (Purchase) Sale of marketable investments, net | 16,264 | (47,435) |
| Capital expenditures | (7,639) | (14,553) |
| Proceeds from sale of assets | | 805 |
| | <u>(9,732)</u> | <u>(61,183)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal repayments on long-term debt | (228) | (1,498) |
| Proceeds from secondary stock offering, net | 8,821 | |
| Proceeds from exercise of stock options, including tax benefit | 1,531 | 5,193 |
| | <u>10,124</u> | <u>3,695</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 15,340 | (5,510) |
| CASH AND CASH EQUIVALENTS, beginning of period | 4,886 | 19,738 |
| | <u>\$ 20,226</u> | <u>\$ 14,228</u> |

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

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2002

Note 1 The Company and Basis of Presentation

As of April 30, 2002, Corinthian Colleges, Inc. (the Company) operated 60 schools in the for-profit, post-secondary education industry. All of the Company's schools are accredited and grant either degrees (Associates, Bachelor and Master) or diplomas and offer educational opportunities from an extensive and diverse