

CORINTHIAN COLLEGES INC

Form 10-Q

October 30, 2009

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, 2009

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)

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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

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

At October 26, 2009, there were 87,595,134 shares of Common Stock of the Registrant outstanding.

Table of Contents**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****INDEX TO FORM 10-Q****For the First Quarter Ended September 30, 2009**

	Page No.
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets at September 30, 2009 (Unaudited) and June 30, 2009</u>	3
<u>Condensed Consolidated Statements of Operations for the three months ended September 30, 2009 and 2008 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the three months ended September 30, 2009 and 2008 (Unaudited)</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>	12
Item 3. <u>Quantitative and Qualitative Disclosure about Market Risk</u>	18
Item 4. <u>Controls and Procedures</u>	18
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	19
Item 1A <u>Risk Factors</u>	19
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	19
Item 3. <u>Defaults Upon Senior Securities</u>	19
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	19
Item 5. <u>Other Information</u>	19
Item 6. <u>Exhibits</u>	20
<u>SIGNATURES</u>	21

EXPLANATORY NOTE

During the fourth quarter of 2008, the Company decided to divest the WyoTech Oakland campus, and the Company has since sold the capital assets of WyoTech Oakland. Additionally, during the fourth quarter of 2008, the Company completed the teach-out of its Lynnwood WA, Everett WA, and Atlanta GA campuses. Accordingly, the results of operations of the campuses are reflected as discontinued operations in our consolidated statements of operations for all periods presented. The Company expects to have no significant continuing involvement with these entities.

During the fourth quarter of fiscal 2007, the Company decided to divest all of its Canadian campuses outside of the province of Ontario, Canada, as well as the WyoTech Boston MA campus. The Company sold the non-Ontario Canadian campuses on February 29, 2008. The Company sold WyoTech Boston on May 1, 2008. The Company has no significant continuing involvement with these entities.

The information contained throughout this document is presented on a continuing operations basis, unless otherwise stated.

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

	September 30, 2009 (Unaudited)	June 30, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 225,348	\$ 160,276
Accounts receivable, net of allowance for doubtful accounts of \$24,328 and \$25,416 at September 30, 2009 and June 30, 2009, respectively	61,404	65,976
Student notes receivable, net of allowance for doubtful accounts of \$7,624 and \$8,203 at September 30, 2009 and June 30, 2009, respectively	12,315	11,532
Deferred income taxes	32,426	32,369
Prepaid expenses and other current assets	27,276	38,378
Total current assets	358,769	308,531
PROPERTY AND EQUIPMENT, net	228,600	227,553
OTHER ASSETS:		
Goodwill, net	189,624	186,644
Other intangibles, net	38,409	38,647
Student notes receivable, net of allowance for doubtful accounts of \$22,951 and \$20,975 at September 30, 2009 and June 30, 2009, respectively	34,667	29,938
Deposits and other assets	6,506	3,709
Deferred income taxes	4,131	3,849
TOTAL ASSETS	\$ 860,706	\$ 798,871
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 45,222	\$ 39,159
Accrued compensation and related liabilities	54,443	79,989
Accrued expenses	33,140	14,305
Prepaid tuition	91,697	66,656
Current portion of capital lease obligations	486	474
Total current liabilities	224,988	200,583
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	14,056	14,189
LONG-TERM DEBT, net of current portion	8,389	13,895
DEFERRED INCOME TAXES	14,921	14,922
OTHER LONG-TERM LIABILITIES	38,563	37,614
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS EQUITY:		
Common Stock, \$0.0001 par value:	9	9

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Common Stock, 120,000 shares authorized: 89,850 shares issued and 87,594 shares outstanding at September 30, 2009 and 89,341 shares issued and 87,085 shares outstanding at June 30, 2009

Additional paid-in capital	215,300	208,331
Treasury stock	(31,368)	(31,368)
Retained earnings	376,110	343,197
Accumulated other comprehensive loss	(262)	(2,501)
Total stockholders' equity	559,789	517,668
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 860,706	\$ 798,871

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****(In thousands, except per share data)**

	Three Months Ended September 30,	
	2009	2008
	(Unaudited)	(Unaudited)
NET REVENUES	\$ 388,471	\$ 289,581
OPERATING EXPENSES:		
Educational services	215,013	176,835
General and administrative	39,464	29,338
Marketing and admissions	80,104	73,340
Total operating expenses	334,581	279,513
INCOME FROM OPERATIONS	53,890	10,068
Interest (income)	(300)	(449)
Interest expense	504	757
Other (income) expense, net	(1,159)	203
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	54,845	9,557
Provision for income taxes	21,931	3,851
INCOME FROM CONTINUING OPERATIONS	32,914	5,706
LOSS FROM DISCONTINUED OPERATIONS, net of tax		(220)
NET INCOME	\$ 32,914	\$ 5,486
INCOME PER SHARE BASIC:		
Income from continuing operations	\$ 0.38	\$ 0.07
Loss from discontinued operations		(0.01)
Net income	\$ 0.38	\$ 0.06
INCOME PER SHARE DILUTED:		
Income from continuing operations	\$ 0.37	\$ 0.07
Loss from discontinued operations		(0.01)
Net income	\$ 0.37	\$ 0.06
Weighted average number of common shares outstanding:		
Basic	87,264	85,399
Diluted	88,634	86,779

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
FROM CONTINUING AND DISCONTINUED OPERATIONS

(In thousands)

	Three Months Ended September 30,	
	2009	2008
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 32,914	\$ 5,486
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,954	12,833
Stock based compensation	2,719	2,601
Loss on disposal of assets	243	
Changes in assets and liabilities:		
Accounts receivable, net	4,789	4,031
Student notes receivable, net	(5,512)	(3,977)
Prepaid expenses and other assets	8,397	9,258
Accounts payable	5,728	5,198
Accrued expenses and other liabilities	(20,053)	(14,588)
Income taxes payable	12,583	
Prepaid tuition	24,178	7,562
Other long-term liabilities	721	(700)
Net cash provided by operating activities	80,661	27,704
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(14,265)	(10,876)
Proceeds from sale of assets		126
Net cash used in investing activities	(14,265)	(10,750)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	8,145	2,924
Principal repayments on capital lease obligations and long-term debt	(14,592)	(25,108)
Proceeds from exercise of stock options and employee stock purchase plan	4,821	2,747
Net cash used in financing activities	(1,626)	(19,437)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	302	(156)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,072	(2,639)
CASH AND CASH EQUIVALENTS, beginning of period	160,276	32,004
CASH AND CASH EQUIVALENTS, end of period	\$ 225,348	\$ 29,365
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Income taxes	\$ 1,641	\$ (1,998)

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Interest paid, net of capitalized interest	\$	553	\$	379
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The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2009

Note 1 The Company and Basis of Presentation

Corinthian Colleges, Inc. (the Company) is one of the largest post-secondary career education companies in North America. As of September 30, 2009, the Company had 93,493 students and operated 89 schools in 24 states and 17 colleges in the province of Ontario, Canada. The Company offers a variety of diploma programs and associate's, bachelor's and master's degrees, concentrating on programs in allied health, criminal justice, business, vehicle repair and maintenance, construction trades and information technology. The Company also offers exclusively online degrees, primarily in business and criminal justice.

During the fourth quarter of 2008, the Company decided to divest the WyoTech Oakland campus, and the Company has since sold the capital assets of WyoTech Oakland. Additionally, during the fourth quarter of 2008, the Company completed the teach-out of its Lynnwood WA, Everett WA, and Atlanta GA campuses. Accordingly, the results of operations of the campuses are reflected as discontinued operations in the consolidated statements of operations for all periods presented. The Company expects to have no significant continuing involvement with these entities.

During the fourth quarter of fiscal 2007, the Company decided to divest all of its Canadian campuses outside of the province of Ontario, Canada, as well as the WyoTech Boston MA campus. The Company sold the non-Ontario Canadian campuses on February 29, 2008. The Company sold WyoTech Boston on May 1, 2008. The Company has no significant continuing involvement with these entities.

The information contained throughout this document is presented on a continuing operations basis, unless otherwise stated.

Certain prior year amounts have been reclassified to conform to the current year presentation.

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with U.S. generally accepted accounting principles. Certain information and footnote disclosures normally included in annual financial statements have been omitted or condensed pursuant to such regulations. The Company believes the disclosures included in the unaudited condensed consolidated financial statements, when read in conjunction with the June 30, 2009 consolidated financial statements of the Company included in the Company's 2009 Annual Report on Form 10-K and notes thereto, are adequate to make the information presented not misleading. In management's opinion, the unaudited condensed consolidated financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary to summarize fairly the consolidated financial position, results of operations, and cash flows for such periods. The results of operations for the three months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2010.

The unaudited condensed consolidated financial statements as of September 30, 2009 and for the three months ended September 30, 2009 and 2008 and the audited condensed consolidated financial statements as of June 30, 2009 include the accounts of the Company and its subsidiaries that it directly or indirectly controls through majority ownership. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial position and results of operations of the Company's Canadian subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of the Canadian subsidiaries are translated to U.S. dollars using exchange