

CORINTHIAN COLLEGES INC
Form 10-Q
February 09, 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 DECEMBER 31, 2004

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

At January 27, 2005, there were 90,742,927 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

	June 30, 2004	December 31, 2004
	(Unaudited)	
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 46,699	\$ 30,855
Restricted cash	10	10
Short-term investments		41,800
Accounts receivable, net of allowance for doubtful accounts of \$19,308 and \$22,544 at June 30, 2004 and December 31, 2004, respectively	66,232	73,345
Student notes receivable, net of allowance for doubtful accounts of \$769 and \$830 at June 30, 2004 and December 31, 2004, respectively	1,853	2,167
Deferred income taxes	14,874	14,874
Prepaid expenses and other current assets	34,671	34,078
	<u>164,339</u>	<u>197,129</u>
Total current assets	164,339	197,129
PROPERTY AND EQUIPMENT, net	130,965	153,268
OTHER ASSETS:		
Goodwill, net	197,547	207,120
Other intangibles, net	52,761	55,171
Student notes receivable, net of allowance for doubtful accounts of \$742 and \$1,178 at June 30, 2004 and December 31, 2004, respectively	1,934	2,724
Deposits and other assets	5,447	6,438
	<u>257,652</u>	<u>268,623</u>
TOTAL ASSETS	\$ 552,993	\$ 621,850
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 22,830	\$ 28,029
Accrued compensation and related liabilities	28,462	37,178
Accrued expenses	12,579	18,550
Prepaid tuition	37,614	43,840
Current portion of capital lease obligations	614	244
Current portion of long-term debt	146	153
	<u>102,245</u>	<u>127,994</u>
Total current liabilities	102,245	127,994
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	12,406	12,313
LONG-TERM DEBT, net of current portion	46,366	47,281
DEFERRED INCOME TAXES	27,150	27,150
OTHER LIABILITIES	6,871	6,323

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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS EQUITY:

Common Stock, \$0.0001 par value:

Common Stock, 120,000 shares authorized and 90,305 shares and 90,611 shares issued and outstanding at June 30, 2004 and December 31, 2004, respectively respectively

	9	9
Additional paid-in capital	126,339	132,658
Deferred compensation		(2,444)
Retained earnings	231,603	270,532
Accumulated other comprehensive income (loss)	4	34
	<u> </u>	<u> </u>
TOTAL STOCKHOLDERS EQUITY	357,955	400,789
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 552,993	\$ 621,850
	<u> </u>	<u> </u>

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		Six Months Ended	
	December 31,		December 31,	
	2003	2004	2003	2004
	(In thousands, except per share data)			
	(Unaudited)			
NET REVENUES	\$ 200,648	\$ 248,141	\$ 369,811	\$ 477,837
OPERATING EXPENSES:				
Educational services	103,594	133,158	188,516	256,736
General and administrative	16,936	23,018	31,610	42,842
Marketing and advertising	43,034	57,650	79,923	113,526
Total operating expenses	163,564	213,826	300,049	413,104
INCOME FROM OPERATIONS	37,084	34,315	69,762	64,733
Interest (income)	(360)	(717)	(622)	(1,194)
Interest expense	763	982	1,369	1,912
Other (income) expense, net	(12)	(155)	(81)	(332)
INCOME BEFORE PROVISION FOR INCOME TAXES	36,693	34,205	69,096	64,347
Provision for income taxes	14,751	13,512	27,776	25,418
NET INCOME	\$ 21,942	\$ 20,693	\$ 41,320	\$ 38,929
Income per common share:				
Basic	\$ 0.25	\$ 0.23	\$ 0.47	\$ 0.43
Diluted	\$ 0.23	\$ 0.22	\$ 0.44	\$ 0.42
Weighted average number of common shares outstanding:				
Basic	88,926	90,500	88,366	90,426
Diluted	93,950	92,798	93,730	92,509

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

	Six Months Ended	
	December 31,	
	2003	2004
	(In thousands)	
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 41,320	\$ 38,929
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,973	15,365
Tax benefit of stock options exercised	16,067	867
Stock-based compensation		145
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	(1,693)	(3,560)
Student notes receivable, net	(345)	(1,104)
Prepaid expenses and other assets	(8,019)	(470)
Accounts payable	(1,356)	4,597
Accrued expenses, compensation and related benefits	466	11,807
Prepaid tuition	610	4,309
Other long-term liabilities	(1,585)	(647)
Net cash provided by operating activities	55,438	70,238
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of schools, colleges, and training centers, net of cash acquired	(101,318)	(9,082)
Capital expenditures, net of disposals	(27,481)	(33,514)
Sales of (investments in) marketable securities, net	3,897	(41,800)
Net cash (used in) investing activities	(124,902)	(84,396)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	50,961	
Principal repayments on capital lease obligations and long-term debt	(7,631)	(4,934)
Proceeds from exercise of stock options and Employee Stock Purchase Plan	13,252	2,863
Net cash (used in) provided by financing activities	56,582	(2,071)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	79	385
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,803)	(15,844)
CASH AND CASH EQUIVALENTS, beginning of period	35,901	46,699
CASH AND CASH EQUIVALENTS, end of period	\$ 23,098	\$ 30,855
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		

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Cash paid during the period for:

Income taxes	\$ 12,855	\$ 20,455
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