

FRANKLIN COVEY CO
Form 10-Q
January 08, 2015

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 November 29, 2014

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

For the transition period from _____ to _____

Commission file no. 1-11107

FRANKLIN COVEY CO.
(Exact name of registrant as specified in its charter)

Utah 87-0401551
(State of (I.R.S.
incorporation) employer
identification
number)

2200 West 84119-2099
Parkway (Zip Code)
Boulevard
Salt Lake City,
Utah
(Address of
principal
executive
offices)

Registrant's
telephone (801)
number, 817-1776

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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	<input type="checkbox"/>
		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 ☒

Indicate the number of shares outstanding of each of the issuer’s classes of Common Stock as of the latest practicable date:

16,922,445 shares of Common Stock as of December 31, 2014

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per-share amounts)

	November 29, 2014	August 31, 2014
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,571	\$ 10,483
Accounts receivable, less allowance for doubtful accounts of \$912 and \$918	53,611	61,490
Receivable from related party	2,219	1,851
Inventories	6,372	6,367
Income taxes receivable	2,267	2,432
Deferred income tax assets	4,257	4,340
Prepaid expenses and other current assets	6,038	6,053
Total current assets	82,335	93,016
Property and equipment, net	16,703	17,271
Intangible assets, net	56,219	57,177
Goodwill	19,641	19,641
Long-term receivable from related party	3,450	3,296
Other long-term assets	14,062	14,785
	\$ 192,410	\$ 205,186
LIABILITIES AND SHAREHOLDERS' EQUITY		
EQUITY		
Current liabilities:		
Current portion of financing obligation	\$ 1,341	\$ 1,298
Accounts payable	7,038	12,001
Accrued liabilities	20,020	29,586
Total current liabilities	28,399	42,885
Financing obligation, less current portion	25,723	26,078
Other liabilities	3,936	3,934
Deferred income tax liabilities	5,954	5,575
Total liabilities	64,012	78,472
Shareholders' equity:		

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Common stock, \$.05 par value; 40,000 shares authorized, 27,056 shares issued	1,353	1,353
Additional paid-in capital	207,445	207,148
Retained earnings	60,324	58,496
Accumulated other comprehensive income	799	1,451
Treasury stock at cost, 10,250 shares and 10,266 shares	(141,523)	(141,734)
Total shareholders' equity	128,398	126,714
	\$ 192,410	\$ 205,186

See notes to condensed consolidated financial statements.

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE
INCOME

(in thousands, except per-share amounts)

	Quarter Ended	
	November 29, 2014	November 30, 2013
	(unaudited)	
Net sales:		
Training and consulting services	\$ 45,473	\$ 41,335
Products	1,314	1,326
Leasing	1,088	757
	47,875	43,418
Cost of sales:		
Training and consulting services	15,421	12,414
Products	637	506
Leasing	613	467
	16,671	13,387
Gross profit	31,204	30,031
Selling, general, and administrative	25,699	24,752
Depreciation	964	784
Amortization	953	989
Income from operations	3,588	3,506
Interest income	111	143
Interest expense	(539)	(560)
Discount on related party receivable	(130)	(142)
Income before income taxes	3,030	2,947
Provision for income taxes	(1,202)	(1,228)
Net income	\$ 1,828	\$ 1,719
Net income per share:		
Basic	\$ 0.11	