

FRANKLIN COVEY CO  
Form 10-Q  
January 09, 2019

---

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 30, 2018

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  
(State of incorporation)

87-0401551  
(I.R.S. employer identification number)

2200 West Parkway Boulevard  
Salt Lake City, Utah  
(Address of principal executive offices)

84119-2099  
(Zip Code)

Registrant's telephone number,  
Including area code

(801) 817-1776

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

Edgar Filing: FRANKLIN COVEY CO - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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:

13,929,270 shares of Common Stock as of December 31, 2018

---

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per-share amounts)

	November 30, 2018	August 31, 2018
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 11,085	\$ 10,153
Accounts receivable, less allowance for doubtful accounts of \$3,929 and \$3,555	55,646	71,914
Inventories	2,920	3,160
Income taxes receivable	-	179
Prepaid expenses and other current assets	13,841	14,757
Total current assets	83,492	100,163
Property and equipment, net	20,691	21,401
Intangible assets, net	50,701	51,934
Goodwill	24,220	24,220
Deferred income tax assets	4,877	3,222
Other long-term assets	12,343	12,935
	\$ 196,324	\$ 213,875
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of term notes payable	\$ 9,063	\$ 10,313
Current portion of financing obligation	2,151	2,092
Accounts payable	7,685	9,790
Income taxes payable	325	-
Deferred revenue	46,221	51,888
Accrued liabilities	16,948	20,761
Total current liabilities	82,393	94,844
Line of credit	8,508	11,337
Term notes payable, less current portion	2,187	2,500
Financing obligation, less current portion	18,419	18,983
Other liabilities	7,747	5,501
Deferred income tax liabilities	210	210
Total liabilities	119,464	133,375
Shareholders' equity:		
Common stock, \$.05 par value; 40,000 shares authorized, 27,056 shares issued	1,353	1,353
Additional paid-in capital	212,290	211,280
Retained earnings	59,069	63,569

Edgar Filing: FRANKLIN COVEY CO - Form 10-Q

Accumulated other comprehensive income	32	341
Treasury stock at cost, 13,148 shares and 13,159 shares	(195,884)	(196,043)
Total shareholders' equity	76,860	80,500
	\$196,324	\$213,875

See notes to condensed consolidated financial statements

2

---

FRANKLIN COVEY CO.CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND STATEMENTS OF COMPREHENSIVE LOSS

(in thousands, except per-share amounts)

	Quarter Ended	
	November	November
	30,	30,
	2018	2017
	(unaudited)	
Net sales	\$53,829	\$ 47,932
Cost of sales	17,046	15,064
Gross profit	36,783	32,868
Selling, general, and administrative	34,644	33,824
Depreciation	1,554	901
Amortization	1,238	1,395
Loss from operations	(653 )	(3,252 )
Interest income	28	61
Interest expense	(632 )	(549 )
Loss before income taxes	(1,257 )	(3,740 )
Income tax benefit (provision)	(100 )	1,348
Net loss	\$(1,357 )	\$(2,392 )
Net loss per share:		
Basic and diluted	\$(0.10 )	\$(0.17 )
Weighted average number of common shares:		
Basic and diluted	13,917	13,725
<b>COMPREHENSIVE LOSS</b>		
Net loss	\$(1,357 )	\$(2,392 )
Foreign currency translation adjustments, net of income tax benefit of \$11 and \$42	(309 )	(77 )
Comprehensive loss	\$(1,666 )	\$(2,469 )

See notes to condensed consolidated financial statements

3

---

FRANKLIN COVEY CO.CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Quarter Ended	
	November 30, 2018	November 30, 2017
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(1,357 )	\$(2,392 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,792	2,295
Amortization of capitalized curriculum costs	1,431	1,277
Stock-based compensation expense	946	956
Deferred income taxes	(645 )	(1,799 )
Increase in contingent consideration liabilities	24	176
Changes in assets and liabilities:		
Decrease in accounts receivable, net	16,096	16,148
Decrease in inventories	233	26
Decrease (increase) in prepaid expenses and other assets	847	(606 )
Decrease in accounts payable and accrued liabilities	(5,098 )	(8,125 )
Decrease in deferred revenue	(7,586 )	(5,570 )
Increase (decrease) in income taxes payable/receivable	503	(53 )
Increase (decrease) in other long-term liabilities	(52 )	5
Net cash provided by operating activities	8,134	2,338
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,431 )	(2,414 )
Curriculum development costs	(689 )	(703 )
Acquisition of business	-	(1,109 )
Net cash used for investing activities	(2,120 )	(4,226 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit borrowings	22,684	24,633
Payments on line of credit borrowings	(25,513)	(19,960 )
Principal payments on term notes payable	(1,563 )	(1,250 )
Principal payments on financing obligation	(505 )	(451 )
Purchases of common stock for treasury	(7 )	(1,968 )
Payment of contingent consideration liabilities	(217 )	-
Proceeds from sales of common stock held in treasury	230	158
Net cash provided by (used for) financing activities	(4,891 )	1,162
Effect of foreign currency exchange rates on cash and cash equivalents	(191 )	(111 )
Net increase (decrease) in cash and cash equivalents	932	(837 )
Cash and cash equivalents at the beginning of the period	10,153	8,924
Cash and cash equivalents at the end of the period	\$11,085	\$8,087

Edgar Filing: FRANKLIN COVEY CO - Form 10-Q

Supplemental disclosure of cash flow information:

Cash paid for income taxes	\$242	\$ 640
Cash paid for interest	651	614

Non-cash investing and financing activities:

Purchases of property and equipment financed by accounts payable	\$447	\$ 901
--	-------	--------

See notes to condensed consolidated financial statements

4

---



FRANKLIN COVEY CO.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands and unaudited)

Common Stock	Common Stock	Additional Paid-In	Retained	Accumulated Other Comprehensive	Treasury	Treasury
-----------------	-----------------	-----------------------	----------	---------------------------------------	----------	----------