

FRANKLIN COVEY CO
Form 10-Q
January 07, 2016

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 28, 2015

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 (801) 817-1776

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 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
accelerated filer
filer

Non-accelerated (Do not check if Smaller
filer a smaller reporting
reporting company
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:

16,233,107 shares of Common Stock as of December 31, 2015

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

FRANKLIN COVEY CO.

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

	November 28, 2015	August 31, 2015
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,324	\$ 16,234
Accounts receivable, less allowance for doubtful accounts of \$1,404 and \$1,333	49,688	65,182
Receivable from related party	3,168	2,425
Inventories	4,196	3,949
Income taxes receivable	432	-
Deferred income tax assets	2,472	2,479
Prepaid expenses and other current assets	5,560	5,156
Total current assets	87,840	95,425
Property and equipment, net	15,428	15,499
Intangible assets, net	52,539	53,449
Goodwill	19,903	19,903
Long-term receivable from related party	1,622	1,562
Other long-term assets	14,177	14,807
	\$ 191,509	\$ 200,645
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of financing obligation	\$ 1,519	\$ 1,473
Accounts payable	6,201	8,306
Income taxes payable	-	221
Accrued liabilities	21,391	29,634
Total current liabilities	29,111	39,634
Financing obligation, less current portion	24,205	24,605
Other liabilities	3,931	3,802
Deferred income tax liabilities	7,178	7,098
Total liabilities	64,425	75,139
Shareholders' equity:		
Common stock, \$.05 par value; 40,000 shares authorized, 27,056 shares issued	1,353	1,353

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Additional paid-in capital	209,295	208,635
Retained earnings	70,402	69,612
Accumulated other comprehensive income	93	192
Treasury stock at cost, 10,893 shares and 10,909 shares	(154,059)	(154,286)
Total shareholders' equity	127,084	125,506
	\$ 191,509	\$ 200,645

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	November		
	28,	29,		
	2015	2014		
	(unaudited)			
Net sales:				
Training and consulting services	\$ 43,194	\$ 45,473		
Products	912	1,314		
Leasing	1,112	1,088		
	45,218	47,875		
Cost of sales:				
Training and consulting services	14,058	15,421		
Products	522	637		
Leasing	567	613		
	15,147	16,671		
Gross profit	30,071	31,204		
Selling, general, and administrative	26,489	25,699		
Depreciation	912	964		
Amortization	910	953		
Income from operations	1,760	3,588		
Interest income	77	111		
Interest expense	(541)	(539)		
Discount on related party receivable	-	(130)		
Income before income taxes	1,296	3,030		
Income tax provision	(506)	(1,202)		
Net income	\$ 790	\$ 1,828		
Net income per share:				
Basic	\$ 0.05	\$ 0.11		
Diluted	0.05	0.11		
Products	18,002	15,809	35,971	30,929
Services	8,186	6,923	16,463	13,373
Total cost of revenues	26,188	22,732	52,434	44,302
Gross profit	35,700	33,394	72,057	66,254
Operating expenses:				
Research and development expenses, net	11,849	9,238	23,075	18,513

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Sales and marketing expenses	7,442	5,892	13,673	11,980
General and administrative expenses	2,134	1,938	4,364	3,595
Amortization of acquired intangible assets	654	640	1,307	1,280
Total operating expenses	22,079	17,708	42,419	35,368
Operating income	13,621	15,686	29,638	30,886
Financing income, net	486	525	934	940
Income before tax on income	14,107	16,211	30,572	31,826
Income tax expenses	2,274	2,898	4,659	5,110
Net income for the period	11,833	13,313	25,913	26,716
Earnings per share:				
Basic	0.42	0.48	0.93	0.97
Diluted	0.41	0.47	0.91	0.96
Shares used for calculation of earnings per share:				
Basic	27,977	27,655	27,946	27,561
Diluted	28,766	28,562	28,349	27,958

NOVA MEASURING INSTRUMENTS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in thousands) - (Unaudited)

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Cash flows from operating activities:				
Net income for the period	11,833	13,313	25,913	26,716
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	1,312	938	2,227	1,893
Amortization of acquired intangible assets	654	640	1,307	1,280
Amortization of deferred stock-based compensation	993	548	1,827	1,211
Decrease (increase) in liability for employee termination benefits, net	6	41	(35)	73
Deferred tax assets, net	(421)	666	(557)	75
Decrease (increase) in trade accounts receivable	(5,648)	1,887	(2,081)	6,274
Increase in inventories	(2,761)	(3,041)	(7,236)	(4,616)
Decrease (increase) in other current assets	2,068	(1,376)	3,574	(955)
Increase in trade accounts payable	438	2,618	2,791	2,708
Increase (decrease) in other current liabilities and other long-term liabilities	(4,414)	409	(7,098)	2,288
Increase (decrease) in short term deferred revenues	3,519	3,770	(850)	6,164
Net cash provided by operating activities	7,579	20,413	19,782	43,111
Cash flow from investment activities:				
Increase in short-term and long term interest-bearing bank deposits	(7,841)	(2,581)	(18,999)	(22,659)
Additions to property and equipment	(735)	(847)	(1,096)	(1,267)
Net cash used in investment activities	(8,576)	(3,428)	(20,095)	(23,926)
Cash flows from financing activities:				
Shares issued under employee stock-based plans	151	324	238	2,141
Net cash provided by financing activities	151	324	238	2,141
Increase (decrease) in cash and cash equivalents	(846)	17,309	(75)	21,326
Cash and cash equivalents – beginning of period	28,468	24,423	27,697	20,406
Cash and cash equivalents – end of period	27,622	41,732	27,622	41,732

NOVA MEASURING INSTRUMENTS LTD.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS

(U.S. dollars in thousands, except percentage and per share data) - (Unaudited)

	Three months ended		
	June 30, 2018	March 31, 2018	June 30, 2017
GAAP cost of revenues	26,188	26,246	22,732
Stock-based compensation in cost of products	(114)	(92)	(74)
Stock-based compensation in cost of services	(92)	(79)	(56)
Non-GAAP cost of revenues	25,982	26,075	22,602
GAAP gross profit	35,700	36,357	33,394
Gross profit adjustments	206	171	130
Non-GAAP gross profit	35,906	36,528	33,524
GAAP gross margin as a percentage of revenues	58 %	58 %	59 %
Non-GAAP gross margin as a percentage of revenues	58 %	58 %	60 %
GAAP operating expenses	22,079	20,340	17,708
Stock-based compensation in research and development	(386)	(340)	(188)
Stock-based compensation in sales and marketing	(259)	(219)	(146)
Stock-based compensation in general and administrative	(142)	(104)	(84)
Amortization of acquired intangible assets	(654)	(653)	(640)
Non-GAAP operating expenses	20,638	19,024	16,650
Non-GAAP operating income	15,268	17,504	16,874
GAAP operating margin as a percentage of revenues	22 %	26 %	28 %
Non-GAAP operating margin as a percentage of revenues	25 %	28 %	30 %
GAAP tax on income	2,274	2,385	2,898
Certain discrete tax items	137	137	(666)
Non-GAAP tax on income	2,411	2,522	2,232
GAAP net income	11,833	14,080	13,313
Amortization of acquired intangible assets	654	653	640
Stock-based compensation expenses	993	834	548
Certain discrete tax items	(137)	(137)	666
Non-GAAP net income	13,343	15,430	15,167
GAAP basic earnings per share	0.42	0.50	0.48
Non-GAAP basic earnings per share	0.48	0.55	0.55
GAAP diluted earnings per share	0.41	0.49	0.47
Non-GAAP diluted earnings per share	0.46	0.54	0.53
Shares used for calculation of earnings per share:			
Basic	27,977	27,915	27,655
Diluted	28,766	28,739	28,562

