

FRANKLIN COVEY CO
Form 10-Q
April 07, 2011

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 February 26, 2011

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
accelerated filer
filer

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

17,081,389 shares of Common Stock as of April 1, 2011

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	February 26, 2011	August 31, 2010
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,266	\$ 3,484
Accounts receivable, less allowance for doubtful accounts of \$652 and \$718	27,756	30,665
Inventories	4,312	4,470
Deferred income tax assets	2,566	2,543
Prepaid expenses and other assets	6,122	7,454
Total current assets	42,022	48,616
Property and equipment, net	19,412	20,330
Intangible assets, net	63,391	65,240
Goodwill	3,761	3,761
Other assets	9,389	9,396
	\$ 137,975	\$ 147,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of financing obligation	\$ 794	\$ 734
Line of credit	1,492	9,532
Accounts payable	5,005	6,847
Income taxes payable	477	198
Accrued liabilities	23,395	26,743
Total current liabilities	31,163	44,054
Financing obligation, less current portion	29,949	30,364
Other liabilities	265	253
Deferred income tax liabilities	3,314	1,637
Total liabilities	64,691	76,308
Shareholders' equity:		
Common stock – \$0.05 par value; 40,000 shares authorized, 27,056 shares issued and outstanding	1,353	1,353
Additional paid-in capital	184,257	183,794
Common stock warrants	7,594	7,597
Retained earnings	14,563	13,462
Accumulated other comprehensive income	3,253	3,014

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Treasury stock at cost, 10,040 and 10,041 shares	(137,736)	(138,185)
Total shareholders' equity	73,284	71,035
	\$ 137,975	\$ 147,343

See notes to condensed consolidated financial statements.

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Quarter Ended		Two Quarters Ended	
	February 26, 2011 (unaudited)	February 27, 2010 (unaudited)	February 26, 2011 (unaudited)	February 27, 2010 (unaudited)
Net sales:				
Training and consulting services	\$ 33,337	\$ 28,151	\$ 70,893	\$ 58,407
Products	1,543	797	2,819	1,668
Leasing	598	803	1,183	1,602
	35,478	29,751	74,895	61,677
Cost of sales:				
Training and consulting services	11,260	9,580	24,511	19,962
Products	705	448	1,386	979
Leasing	402	422	811	817
	12,367	10,450	26,708	21,758
Gross profit	23,111	19,301	48,187	39,919
Selling, general, and administrative				