

K12 INC
Form 10-Q
January 28, 2016
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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 December 31, 2015

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: 001-33883

K12 Inc.

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(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-4774688

(IRS Employer
Identification No.)

**2300 Corporate Park Drive
Herndon, VA**

(Address of principal executive offices)

20171

(Zip Code)

(703) 483-7000

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

Large accelerated filer

Accelerated filer

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

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

As of January 22, 2016 the Registrant had 39,004,035 shares of common stock, \$0.0001 par value per share outstanding.

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For the Quarterly Period Ended December 31, 2015

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited).****K12 INC.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	December 31, 2015	June 30, 2015
	(In thousands, except share and per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 171,277	\$ 195,852
Accounts receivable, net of allowance of \$9,842 and \$9,657 at December 31, 2015 and June 30, 2015, respectively	229,589	188,246
Inventories, net	17,858	29,571
Deferred tax asset	4,661	8,989
Prepaid expenses	21,239	11,428
Other current assets	25,105	24,877
Total current assets	469,729	458,963
Property and equipment, net	28,661	34,407
Capitalized software, net	66,360	62,683
Capitalized curriculum development costs, net	57,311	58,696
Intangible assets, net	19,964	21,195
Goodwill	66,160	66,160
Deposits and other assets	6,806	6,495
Total assets	\$ 714,991	\$ 708,599
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	\$ 14,369	\$ 16,635
Accounts payable	16,760	29,819
Accrued liabilities	10,893	12,486
Accrued compensation and benefits	17,301	26,790
Deferred revenue	57,083	24,927
Total current liabilities	116,406	110,657
Capital lease obligations, net of current portion	10,059	13,022
Deferred rent, net of current portion	7,179	7,692
Deferred tax liability	27,529	22,456
Other long-term liabilities	8,714	8,233
Total liabilities	169,887	162,060
Commitments and contingencies		
Redeemable noncontrolling interest	9,801	9,601
Stockholders' equity		
Common stock, par value \$0.0001; 100,000,000 shares authorized; 42,423,963 and 41,837,894 shares issued and 38,921,365 and 38,335,296 shares outstanding at December 31, 2015 and June 30, 2015, respectively	4	4
Additional paid-in capital	665,807	663,461

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Accumulated other comprehensive loss	(791)	(1,065)
Accumulated deficit	(54,717)	(50,462)
Treasury stock of 3,502,598 shares at cost at December 31, 2015 and June 30, 2015	(75,000)	(75,000)
Total stockholders equity	535,303	536,938
Total liabilities, redeemable noncontrolling interest and equity	\$ 714,991	\$ 708,599

See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.

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	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
	(In thousands, except share and per share data)			
Revenues	\$ 208,811	\$ 231,304	\$ 430,041	\$ 468,017
Cost and expenses				
Instructional costs and services	129,616	145,029	268,619	291,872
Selling, administrative, and other operating expenses	61,440	62,557	160,710	162,101
Product development expenses	3,028	3,245	6,441	6,727
Total costs and expenses	194,084	210,831	435,770	460,700
Income (loss) from operations	14,727	20,473	(5,729)	7,317
Interest (expense) income, net	(190)	151	(495)	182