

Grand Canyon Education, Inc.
Form 10-Q
July 30, 2013
Table of Contents

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 AND EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

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: 001-34211

GRAND CANYON EDUCATION, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: Grand Canyon Education, Inc. - Form 10-Q

DELAWARE
(State or other jurisdiction of
Incorporation or organization)

20-3356009
(I.R.S. Employer
Identification No.)

3300 W. Camelback Road
Phoenix, Arizona 85017

(Address, including zip code, of principal executive offices)

(602) 639-7500

(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 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

The total number of shares of common stock outstanding as of July 25, 2013, was 45,970,708.

Table of Contents

GRAND CANYON EDUCATION, INC.

FORM 10-Q

INDEX

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1 Financial Statements</u>	3
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4 Controls and Procedures</u>	27
<u>PART II OTHER INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	27
<u>Item 1A Risk Factors</u>	27
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 3 Defaults Upon Senior Securities</u>	28
<u>Item 4 Mine Safety Disclosures</u>	28
<u>Item 5 Other Information</u>	28
<u>Item 6 Exhibits</u>	29
<u>SIGNATURES</u>	30
101.INS XBRL Instance Document	
101.SCH XBRL Taxonomy Extension Schema	
101.CAL XBRL Taxonomy Extension Calculation Linkbase	
101.LAB XBRL Taxonomy Extension Label Linkbase	
101.PRE XBRL Taxonomy Extension Presentation Linkbase	
101.DEF XBRL Taxonomy Extension Definition Linkbase	

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GRAND CANYON EDUCATION, INC.****Consolidated Income Statements****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(In thousands, except per share data)				
Net revenue	\$ 141,463	\$ 119,260	\$ 283,493	\$ 236,391
Costs and expenses:				
Instructional costs and services	61,747	53,406	121,744	104,230
Admissions advisory and related, including \$867 and \$589 for the three months ended June 30, 2013 and 2012, respectively, and \$1,621 and \$1,021 for the six months ended June 30, 2013 and 2012, respectively, to related parties	23,346	20,369	46,339	40,360
Advertising, including \$0 and \$5 for the three months ended June 30, 2013 and 2012, respectively, and \$0 and \$20 for the six months ended June 30, 2013 and 2012, respectively, to related parties	14,520	11,467	30,449	25,106
Marketing and promotional	1,383	919	2,818	1,848
General and administrative	8,978	7,701	17,029	15,245
Total costs and expenses	109,974	93,862	218,379	186,789
Operating income	31,489	25,398	65,114	49,602
Interest expense	(439)	(78)	(1,107)	(285)
Interest and other income	62	26	2,257	36
Income before income taxes	31,112	25,346	66,264	49,353
Income tax expense	12,048	9,748	26,255	19,286
Net income	\$ 19,064	\$ 15,598	\$ 40,009	\$ 30,067
Earnings per share:				
Basic income per share	\$ 0.43	\$ 0.35	\$ 0.90	\$ 0.68
Diluted income per share	\$ 0.42	\$ 0.35	\$ 0.88	\$ 0.67
Basic weighted average shares outstanding	44,681	44,447	44,463	44,410
Diluted weighted average shares outstanding	45,929	45,169	45,690	45,161

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**GRAND CANYON EDUCATION, INC.****Consolidated Statements of Comprehensive Income****(Unaudited)**

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2013	2012	2013	2012
(In thousands)				
Net income	\$ 19,064	\$ 15,598	\$ 40,009	\$ 30,067
Other comprehensive income, net of tax:				
Unrealized losses on available-for-sale securities, net of taxes of \$0 for both the three months ended June 30, 2013 and 2012, and \$0 for both the six months ended June 30, 2013 and 2012	(3)		(11)	
Unrealized gains on hedging derivatives, net of taxes of \$335 and \$26 for the three months ended June 30, 2013 and 2012, respectively, and \$366 and \$46 for the six months ended June 30, 2013 and 2012, respectively	483	35	523	62
Comprehensive income	\$ 19,544	\$ 15,633	\$ 40,521	\$ 30,129

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**GRAND CANYON EDUCATION, INC.****Consolidated Balance Sheets**

(In thousands, except par value)	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS:		
Current assets		
Cash and cash equivalents	\$ 90,801	\$ 105,111
Restricted cash and cash equivalents	51,541	55,964
Investments	48,439	
Accounts receivable, net of allowance for doubtful accounts of \$9,092 and \$8,657 at June 30, 2013 and December 31, 2012, respectively	8,645	7,951
Note receivable secured by real estate		27,000
Income taxes receivable	2,533	
Deferred income taxes	7,099	5,481
Other current assets	14,539	12,667
Total current assets	223,597	214,174
Property and equipment, net	304,327	269,162
Restricted cash		225
Prepaid royalties	4,970	5,299
Goodwill	2,941	2,941
Other assets	5,831	3,122
Total assets	\$ 541,666	\$ 494,923
LIABILITIES AND STOCKHOLDERS EQUITY:		
Current liabilities		
Accounts payable	\$ 16,326	\$ 14,174
Accrued compensation and benefits	18,107	18,812
Accrued liabilities	20,599	17,467
Income taxes payable		8,704
Student deposits	52,721	57,745
Deferred revenue	31,585	28,614
Due to related parties	457	523
Current portion of capital lease obligations	88	87
Current portion of notes payable	6,603	6,601
Total current liabilities	146,486	152,727
Capital lease obligations, less current portion	542	587
Other noncurrent liabilities	6,569	7,405
Deferred income taxes, noncurrent	9,713	7,045
Notes payable, less current portion	89,806	93,100
Total liabilities	253,116	260,864
Commitments and contingencies		
Stockholders equity		
Preferred stock, \$0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at June 30, 2013 and December 31, 2012		
Common stock, \$0.01 par value, 100,000 shares authorized; 48,746 and 47,136 shares issued and 45,960 and 44,716 shares outstanding at June 30, 2013 and December 31, 2012, respectively	487	471

Edgar Filing: Grand Canyon Education, Inc. - Form 10-Q

Treasury stock, at cost, 2,786 and 2,420 shares of common stock at June 30, 2013 and December 31, 2012	(47,627)	(39,136)
Additional paid-in capital	124,578	102,133
Accumulated other comprehensive gain (loss)	289	(223)
Accumulated earnings	210,823	170,814
Total stockholders equity	288,550	234,059
Total liabilities and stockholders equity	\$ 541,666	\$ 494,923

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

GRAND CANYON EDUCATION, INC.

Consolidated Statement of Stockholders Equity

(In thousands)

(Unaudited)

	Common Stock		Treasury Stock	Additional	Accumulated	Accumulated	Total
	Shares	Par Value	Shares	Paid-in	Other	Earnings	
				Capital	Gain(Loss)		
Bala							