

Grand Canyon Education, Inc.
Form 10-Q
November 08, 2018
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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 AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

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)

DELAWARE
(State or other jurisdiction of
Incorporation or organization)

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

2600 W. Camelback Road
Phoenix, Arizona 85017

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

(602) 247-4400

(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 every Interactive Data File required to be submitted 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 such files). Yes No

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. (Check one):

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

The total number of shares of common stock outstanding as of November 5, 2018, was 48,133,425.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<u>(In thousands, except per share data)</u>				
Service revenue	\$ 155,454	\$	\$ 155,454	\$
University related revenue		236,209	512,499	702,716
Net revenue	155,454	236,209	667,953	702,716
Costs and expenses:				
Technology and academic services	11,101	10,494	32,476	31,095
Counseling services and support	51,116	46,100	152,701	138,382
Marketing and communication	31,546	28,130	90,168	82,865
General and administrative	10,092	8,343	23,273	21,182
University related expenses	6,569	83,450	173,735	237,784
Loss on Transaction	15,610		17,600	
Total costs and expenses	126,034	176,517	489,953	511,308
Operating income	29,420	59,692	178,000	191,408
Interest income on Secured Note	13,248		13,248	
Interest expense	(558)	(567)	(961)	(1,642)
Investment interest and other	371	1,445	2,919	2,186
Income before income taxes	42,481	60,570	193,206	191,952
Income tax expense	8,720	21,266	39,726	56,889
Net income	\$ 33,761	\$ 39,304	\$ 153,480	\$ 135,063
Earnings per share:				
Basic income per share	\$ 0.71	\$ 0.83	\$ 3.22	\$ 2.87
Diluted income per share	\$ 0.70	\$ 0.81	\$ 3.17	\$ 2.80

Basic weighted average shares outstanding	47,682	47,316	47,592	47,083
Diluted weighted average shares outstanding	48,422	48,292	48,429	48,197

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

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GRAND CANYON EDUCATION, INC.

Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(In thousands)				
Net income	\$ 33,761	\$ 39,304	\$ 153,480	\$ 135,063
Other comprehensive income, net of tax:				
Unrealized gains (losses) on available-for-sale securities, net of taxes of \$44 and \$25 for the three months ended September 30, 2018 and 2017, respectively, and \$6 and \$257 for the nine months ended September 30, 2018 and 2017, respectively	(133)	40	(20)	416
Unrealized gains (losses) on hedging derivatives, net of taxes of \$2 and \$20 for the three months ended September 30, 2018 and 2017, respectively, and \$81 and \$65 for the nine months ended September 30, 2018 and 2017, respectively	(4)	(30)	248	(104)
Comprehensive income	\$ 33,624	\$ 39,314	\$ 153,708	\$ 135,375

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

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

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS:		
(In thousands, except par value)		
Current assets		
Cash and cash equivalents	\$ 44,879	\$ 153,474
Restricted cash and cash equivalents	61,667	94,534
Investments	68,754	89,271
Accounts receivable, net	65,120	10,908
Interest receivable on secured note	4,381	
Income tax receivable	1,791	2,086
Other current assets	8,607	24,589
Total current assets	255,199	374,862
Property and equipment, net	110,908	922,284
Note receivable	882,900	
Prepaid royalties		2,763
Goodwill	2,941	2,941
Other assets	743	723
Total assets	\$ 1,252,691	\$ 1,303,573
LIABILITIES AND STOCKHOLDERS EQUITY:		
Current liabilities		
Accounts payable	\$ 16,996	\$ 29,139
Accrued compensation and benefits	17,857	23,173
Accrued liabilities	13,511	20,757
Income taxes payable		16,182
Student deposits		95,298
Deferred revenue		46,895
Current portion of notes payable	6,572	6,691
Total current liabilities	54,936	238,135
Other noncurrent liabilities		1,200
Deferred income taxes, noncurrent	4,421	18,362
Notes payable, less current portion	54,976	59,925
Total liabilities	114,333	317,622
Commitments and contingencies		
Stockholders equity		

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Preferred stock, \$0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at September 30, 2018 and December 31, 2017		
Common stock, \$0.01 par value, 100,000 shares authorized; 52,570 and 52,277 shares issued and 48,134 and 48,125 shares outstanding at September 30, 2018 and December 31, 2017, respectively	526	523
Treasury stock, at cost, 4,436 and 4,152 shares of common stock at September 30, 2018 and December 31, 2017, respectively	(119,982)	(100,694)
Additional paid-in capital	251,828	232,670
Accumulated other comprehensive loss	(652)	(724)
Retained earnings	1,006,638	854,176
Total stockholders equity	1,138,358	985,951
Total liabilities and stockholders equity	\$ 1,252,691	\$ 1,303,573

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	Other	Retained	Total
	Shares	Par Value	Shares	Cost	Paid-in	Comprehensive	Earnings	
					Capital	Loss		
Balance at December 31, 2017	52,277	\$ 523	4,152	\$(100,694)	\$ 232,670	\$ (724)	\$ 854,176	\$ 985,951
Cumulative effect from the adoption of accounting pronouncements, net of taxes							(1,174)	(1,174)
Comprehensive income						228	153,480	153,708
Adoption impact ASU 2018-02						(156)	156	
Common stock purchased for treasury			39	(4,135)				(4,135)
Restricted shares forfeited			94					
Share-based compensation	163	2	151	(15,153)	17,064			1,913
Exercise of stock options	130	1			2,094			2,095
Balance at September 30, 2018	52,570	\$ 526	4,436	\$(119,982)	\$ 251,828	\$ (652)	\$ 1,006,638	\$ 1,138,358

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

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GRAND CANYON EDUCATION, INC.

Consolidated Statements of Cash Flows

(Unaudited)

<u>(In thousands)</u>	Nine Months Ended	
	2018	2017
Cash flows provided by operating activities:		
Net income	\$ 153,480	\$ 135,063