

Grand Canyon Education, Inc.
Form 10-Q
October 28, 2015
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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, 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: 001-34211

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.)

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 October 23, 2015, was 47,139,356.

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

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net revenue	\$ 193,393	\$ 175,056	\$ 562,246	\$ 501,082
Costs and expenses:				
Instructional costs and services	83,180	71,714	237,224	210,239
Admissions advisory and related, including \$412 and \$762 for the three months ended September 30, 2015 and 2014, respectively, and \$1,406 and \$2,373 for the nine months ended September 30, 2015 and 2014, respectively, to related parties	27,506	27,324	83,211	79,793
Advertising	19,360	16,491	57,810	48,954
Marketing and promotional	1,827	1,931	5,309	5,629
General and administrative	12,536	11,640	31,466	29,188
Total costs and expenses	144,409	129,100	415,020	373,803
Operating income	48,984	45,956	147,226	127,279
Interest expense	(313)	(576)	(834)	(1,455)
Interest and other income	201	43	585	377
Income before income taxes	48,872	45,423	146,977	126,201
Income tax expense	15,530	16,407	53,680	47,828
Net income	\$ 33,342	\$ 29,016	\$ 93,297	\$ 78,373
Earnings per share:				
Basic income per share	\$ 0.72	\$ 0.64	\$ 2.03	\$ 1.72
Diluted income per share	\$ 0.70	\$ 0.62	\$ 1.97	\$ 1.67
Basic weighted average shares outstanding	46,063	45,651	45,956	45,486

Diluted weighted average shares outstanding	47,320	47,051	47,262	46,962
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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)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net income	\$ 33,342	\$ 29,016	\$ 93,297	\$ 78,373
Other comprehensive income, net of tax:				
Unrealized gains (losses) on available-for-sale securities, net of taxes of \$74 and \$8 for the three months ended September 30, 2015 and 2014, respectively, and \$7 and \$10 for the nine months ended September 30, 2015 and 2014, respectively	118	12	13	(16)
Unrealized gains (losses) on hedging derivatives, net of taxes of \$154 and \$39 for the three months ended September 30, 2015 and 2014, respectively, and \$267 and \$73 for the nine months ended September 30, 2015 and 2014, respectively	(257)	61	(432)	(113)
Comprehensive income	\$ 33,203	\$ 29,089	\$ 92,878	\$ 78,244

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

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GRAND CANYON EDUCATION, INC.

Consolidated Balance Sheets

(In thousands, except par value)	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS:		
Current assets		
Cash and cash equivalents	\$ 78,177	\$ 65,238
Restricted cash, cash equivalents and investments	64,737	67,840
Investments	84,016	100,784
Accounts receivable, net	9,500	7,605
Deferred income taxes	5,651	6,149
Other current assets	21,152	19,429
Total current assets	263,233	267,045
Property and equipment, net	639,631	478,170
Prepaid royalties	3,429	3,650
Goodwill	2,941	2,941
Other assets	3,377	3,907
Total assets	\$ 912,611	\$ 755,713
LIABILITIES AND STOCKHOLDERS EQUITY:		
Current liabilities		
Accounts payable	\$ 41,482	\$ 22,715
Accrued compensation and benefits	21,580	23,995
Accrued liabilities	14,819	13,533
Income taxes payable	612	4,906
Student deposits	65,978	69,584
Deferred revenue	86,712	36,868
Due to related parties	382	403
Current portion of capital lease obligations	495	91
Current portion of notes payable	6,723	6,616
Total current liabilities	238,783	178,711
Capital lease obligations, less current portion	153	406
Other noncurrent liabilities	3,689	4,513
Deferred income taxes, noncurrent	14,590	15,974
Notes payable, less current portion	75,759	79,877
Total liabilities	332,974	279,481

Commitments and contingencies

Stockholders equity

Preferred stock, \$0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at September 30, 2015 and December 31, 2014		
Common stock, \$0.01 par value, 100,000 shares authorized; 50,247 and 49,746 shares issued and 47,138 and 46,744 shares outstanding at September 30, 2015 and December 31, 2014, respectively	502	497
Treasury stock, at cost, 3,109 and 3,002 shares of common stock at September 30, 2015 and December 31, 2014, respectively	(58,000)	(53,770)
Additional paid-in capital	173,301	158,549
Accumulated other comprehensive loss	(454)	(35)
Retained earnings	464,288	370,991
Total stockholders equity	579,637	476,232
Total liabilities and stockholders equity	\$ 912,611	\$ 755,713

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	Other	Retained	
	Shares	Par Value	Shares	Cost	Paid-in	Comprehensive	Loss	Earnings	Total
					Capital				
Balance at December 31, 2014	49,746	\$ 497	3,002	\$ (53,770)	\$ 158,549	\$	(35)	\$ 370,991	\$ 476,232
Comprehensive income							(419)	93,297	92,878
Restricted shares forfeited			15						
Exercise of stock options	177	2			2,869				2,871
Excess tax benefits					3,515				3,515
Share-based compensation	324	3	92	(4,230)	8,368				4,141
Balance at September 30, 2015	50,247	\$ 502	3,109	\$ (58,000)	\$ 173,301	\$	(454)	\$ 464,288	\$ 579,637

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

Table of Contents**GRAND CANYON EDUCATION, INC.****Consolidated Statements of Cash Flows****(Unaudited)**

(In thousands)	Nine Months Ended September 30,	
	2015	2014
Cash flows provided by operating activities:		
Net income	\$ 93,297	\$ 78,373
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	8,423	7,412
Excess tax benefits from share-based compensation	(3,343)	(7,232)
Provision for bad debts	11,412	10,835
Depreciation and amortization	25,360	21,418
Deferred income taxes	(1,305)	(137)
Prepaid royalty impairment		966
Other, including fixed asset impairments	2,098	2,475
Changes in assets and liabilities:		
Restricted cash, cash equivalents and investments	3,103	5,567
Accounts receivable	(13,307)	(11,907)
Prepaid expenses and other	(1,549)	(317)
Due to/from related parties	(21)	17
Accounts payable	1,400	(2,956)
Accrued liabilities and employee related liabilities	(1,181)	(1,610)
Income taxes receivable/payable	(791)	18,782
Deferred rent	(824)	(2,736)
Deferred revenue	49,844	44,092
Student deposits	(3,606)	(6,300)
Net cash provided by operating activities	169,010	156,742
Cash flows used in investing activities:		
Capital expenditures	(169,706)	(141,217)
Purchases of investments	(35,547)	(101,185)
Proceeds from sale or maturity of investments	52,315	82,479
Net cash used in investing activities	(152,938)	(159,923)

Cash flows (used in) provided by financing activities:

Principal payments on notes payable and capital lease obligations	(5,117)	(5,021)
Repurchase of common shares including shares withheld in lieu of income taxes	(4,230)	(5,338)
Excess tax benefits from share-based compensation	3,343	7,232
Net proceeds from exercise of stock options	2,871	6,966
Net cash (used in) provided by financing activities	(3,133)	3,839

4. **IMPORTANT:** If you would like to vote for the resolution, please put a tick (“ü”) in the appropriate box marked “Agree”. If you would like to vote against the resolution, please put a cross (“X”) in the box marked “Disagree”. In the absence of any instruction, the proxy may vote at his/her discretion.
5. This proxy form must bear the signature of the entrustor. In the event that the shareholder is a company or an institution, the proxy form must bear the company chop of that company or institution.
6. This proxy form must be duly signed by the appointer or his attorney. If this proxy form is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign (or other documents of authorisation) must be notarially certified. For holders of A Shares, the notarially certified power of attorney or other documents of authorisation and proxy forms must be delivered to the registrar of the Company not less than 24 hours before the time scheduled for the holding of the EGM in order for such documents to be considered valid. For holders of H Shares, the aforementioned documents must be delivered to Hong Kong Registrars Limited, the Company’s H Share registrar at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong within the same time in order for such documents to be considered valid.
- 7.

If more than one proxy has been appointed by any shareholders of the Company, such proxies shall not vote at the same time.

8. If a proxy attends the Extraordinary General Meeting, appropriate identification documents must be produced.
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(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 670)

ATTENDANCE SLIP

To: China Eastern Airlines Corporation Limited (the "Company")

I/We intend to attend the Company's extraordinary general meeting to be held at Meeting Centre, Shanghai Home You Hotel (), 2550 Hongqiao Road, Shanghai, the People's Republic of China, at 2:00 p.m. on Tuesday, 3 February 2009 personally/by appointing a proxy.

Name

Number of A/H Shares
Held

IC/Passport Number

Shareholder's Number

Correspondence Address

Telephone Number

S i g n a t u r e (s) : Date: _____

Notes:

1. Please print your full name in English as well as in Chinese (as registered in the register of members).
2. Please attach a photocopy of the relevant page(s) in your IC/Passport showing your name and your photo.
3. Please attach a photocopy of the documents certifying your shareholding.
4. As for items (personally/by appointing a proxy), (A/H Shares) and (IC/Passport number(s)), please delete the items as appropriate.
5. This slip must be completed and signed and be received at the Company's place of business at No.2550 Hongqiao Road, Shanghai, the People's Republic of China by 4:00 p.m. on Monday, 12 January 2009 (if in person or by facsimile) or between Tuesday, 6 January 2009 to Monday, 12 January 2009 (if by post). The slip must be addressed to the Secretary Office of the Board of Directors.

The slip can be sent to the Company by way of personal delivery, mail (zip code: 200335) or by fax (fax number: +86 21 62686116).

