

FRANKLIN COVEY CO
Form 10-Q
July 12, 2007

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 June 2, 2007

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
(State of Incorporation) 87-0401551
(I.R.S. employer
identification number)

2200 West Parkway
Boulevard 84119-2099
Salt Lake City, Utah (Zip Code)
(Address of principal
executive offices)

Registrant's telephone
number, (801) 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

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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:

19,430,423 shares of Common Stock as of July 9, 2007

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	June 2, 2007	August 31, 2006
	(unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 5,170	\$ 30,587
Accounts receivable, less allowance for doubtful accounts of \$602 and \$979	28,026	24,254
Inventories	24,245	21,790
Deferred income taxes	3,863	4,130
Other current assets	6,503	6,359
Assets held for sale	1,794	-
Total current assets	69,601	87,120
Property and equipment, net	35,563	33,318
Intangible assets, net	76,821	79,532
Deferred income taxes	84	4,340
Other assets	14,129	12,249
	\$ 196,198	\$ 216,559
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Current portion of long-term debt and financing obligation	\$ 619	\$ 585
Accounts payable	12,301	13,769
Income taxes payable	2,318	1,924
Accrued liabilities	28,483	32,170
Line of credit	17,844	-
Liabilities held for sale	828	-
Total current liabilities	62,393	48,448
Long-term debt and financing obligation, less current portion	33,235	33,559
Other liabilities	1,213	1,203
Total liabilities	96,841	83,210
Shareholders' equity:		
Preferred stock – Series A, no par value; 4,000 shares authorized, zero and 1,494 shares issued and outstanding; liquidation preference totaling zero and \$38,278	-	37,345
Common stock – \$0.05 par value; 40,000 shares authorized, 27,056 shares issued and outstanding	1,353	1,353

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Additional paid-in capital	186,091	185,691
Common stock warrants	7,602	7,611
Retained earnings	18,876	14,075
Accumulated other comprehensive income	1,319	653
Treasury stock at cost, 7,344 and 7,083 shares	(115,204)	(113,379)
Other comprehensive loss held for sale	(680)	-
Total shareholders' equity	99,357	133,349
	\$ 196,198	\$ 216,559

See notes to condensed consolidated financial statements.

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED INCOME STATEMENTS

(in thousands, except per share amounts)

	Quarter Ended		Three Quarters Ended	
	June 2, 2007 (unaudited)	May 27, 2006 (unaudited)	June 2, 2007 (unaudited)	May 27, 2006 (unaudited)
Net sales:				
Products	\$ 30,857	\$ 32,184	\$ 118,248	\$ 126,428
Training and consulting services	33,652	31,098	98,666	87,538
	64,509	63,282	216,914	213,966
Cost of sales:				
Products	14,61			