

Voyager Learning CO
Form 10-Q
December 15, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

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 1-3246

Voyager Learning Company

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

36-3580106
(I.R.S.Employer
Identification No.)

1800 Valley View Lane, Suite 400, Dallas, Texas
(Address of Principal Executive Offices)

75234-8923
(Zip Code)

Registrant's telephone number, including area code: (214) 932-9500

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

The number of shares of the registrant's common stock, \$.001 par value, outstanding as of October 31, 2008 was 29,874,145.

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Voyager Learning Company and Subsidiaries
Condensed Consolidated Statements of Operations
For the Thirteen and Twenty-Six Week Periods
Ended June 30, 2007, and July 1, 2006
(In thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Net sales	\$ 36,330	\$ 37,592	\$ 56,389	\$ 60,301
Cost of sales	(15,298)	(16,809)	(26,879)	(29,276)
Gross profit	21,032	20,783	29,510	31,025
Research and development expense	(1,278)	(1,268)	(2,387)	(2,740)
Selling and administrative expense	(23,493)	(24,314)	(46,161)	(53,352)
Loss from continuing operations before interest and income taxes	(3,739)	(4,799)	(19,038)	(25,067)
Net interest income (expense):				
Interest income	994	447	2,165	717
Interest expense	(469)	(7,515)	(2,958)	(12,358)
Net interest income (expense)	525	(7,068)	(793)	(11,641)
Sublease income	1,229		1,961	
Loss from continuing operations before income taxes	(1,985)	(11,867)	(17,870)	(36,708)
Income tax benefit	756	3,847	6,830	7,935
Loss from continuing operations	(1,229)	(8,020)	(11,040)	(28,773)
Earnings from discontinued operations (less applicable income taxes of \$0, \$300, \$1,491 and \$6,203, respectively)		9,829	4,594	10,924
Gain on sale of discontinued operations (less applicable income taxes of \$0, \$0, \$11,160, and \$0, respectively)			46,572	
Net earnings (loss)	\$ (1,229)	\$ 1,809	\$ 40,126	\$ (17,849)
Net earnings (loss) per common share:				
Basic:				
Loss from continuing operations	\$ (0.04)	\$ (0.27)	\$ (0.37)	\$ (0.97)
Earnings from discontinued operations		0.33	0.15	0.37
Gain on sale of discontinued operations			1.56	
Basic net earnings (loss) per common share	\$ (0.04)	\$ 0.06	\$ 1.34	\$ (0.60)
Diluted:				

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Loss from continuing operations	\$ (0.04)	\$ (0.27)	\$ (0.37)	\$ (0.97)
Earnings from discontinued operations		0.33	0.15	0.37
Gain on sale of discontinued operations			1.56	
Diluted net earnings (loss) per common share	\$ (0.04)	\$ 0.06	\$ 1.34	\$ (0.60)
Average number of common shares and equivalents outstanding:				
Basic	29,858	29,817	29,852	29,812
Diluted	29,858	29,817	29,852	29,812

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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Voyager Learning Company and Subsidiaries

Condensed Consolidated Balance Sheets

As of June 30, 2007 and December 30, 2006

(In thousands)

	June 30, 2007 (Unaudited)	December 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 53,895	\$ 39,902
Accounts receivable, net	19,371	15,333
Income tax receivable	60,979	9,858
Inventory	16,426	12,601
Other current assets	14,454	69,552
Assets related to discontinued operations, current		70,712
Total current assets	165,125	217,958
Property, equipment, and software at cost	22,269	20,914
Accumulated depreciation and amortization	(6,922)	(5,124)
Net property, equipment and software	15,347	15,790
Goodwill	210,090	210,090
Acquired curriculum intangibles, net	58,336	65,625
Other intangible assets, net	7,377	8,323
Developed curriculum, net	9,138	6,997
Other assets	16,597	18,145
Assets related to discontinued operations, noncurrent		290,603
Total assets	\$ 482,010	\$ 833,531
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 871	\$ 59,072
Accounts payable	7,615	10,056
Accrued expenses	26,046	83,773
Deferred revenue	12,323	17,705
Liabilities related to discontinued operations, current		215,264
Total current liabilities	46,855	385,870
Long-term liabilities:		
Long-term debt, less current maturities	1,175	1,592
Other liabilities	69,881	96,653
Liabilities related to discontinued operations, noncurrent		42,422
Total long-term liabilities	71,056	140,667
Commitments and contingencies (See Note 15)		

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Shareholders equity:

Common stock (\$.001 par value, 50,000 shares authorized, 30,552 shares issued and 29,885 shares outstanding at June 30, 2007, and 30,565 shares issued and 29,910 shares outstanding at December 30, 2006)	30	30
Capital surplus	356,031	356,655
Accumulated earnings (deficit)	27,638	(33,373)
Treasury stock, at cost (667 shares at June 30, 2007 and 655 shares at December 30, 2006)	(16,725)	(16,577)
Other comprehensive income (loss):		
Accumulated foreign currency translation adjustment, net of tax		25,989
Pension and postretirement plans, net of tax	(3,102)	(26,401)
Net unrealized gain on securities, net of tax	227	671
Accumulated other comprehensive income (loss)	(2,875)	259
Total shareholders equity	364,099	306,994
Total liabilities and shareholders equity	\$ 482,010	\$ 833,531

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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Voyager Learning Company and Subsidiaries
 Condensed Consolidated Statements of Cash Flows
 For the Twenty-Six Week Periods
 Ended June 30, 2007, and July 1, 2006
 (In thousands)
 (Unaudited)

	Twenty-Six Weeks Ended	
	June 30, 2007	July 1, 2006
Operating activities:		
Net earnings (loss)	\$ 40,126	\$ (17,849)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Earnings from discontinued operations, net of tax	(4,594)	(10,924)
Gain on sale of discontinued operations, net of tax	(46,572)	
Depreciation and amortization	11,470	11,748
Amortization and write-off of deferred financing costs	2,236	1,767
Stock-based compensation (benefit)	(626)	2,890
Gain on sale of available for sale securities	(508)	(403)
Deferred income taxes	(7,106)	(162)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(55,159)	1,610
Inventory	(3,826)	86
Other current assets	54,319	309
Other assets	(1,404)	