

JTH Holding, Inc.  
Form 10-Q  
August 29, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

- o **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended July 31, 2012**

**OR**

- o **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 000-54660**

**JTH Holding, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State of incorporation)

**27-3561876**  
(IRS employer identification no.)

**1716 Corporate Landing Parkway**

**Virginia Beach, Virginia 23464**

(Address of principal executive offices)

**(757) 493-8855**

(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 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 the 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 number of shares outstanding of the registrant's Class A Common Stock, \$0.01 par value, at the close of business on August 27, 2012, was 12,141,500 shares.



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JTH HOLDING, INC.

Form 10-Q for the Period Ended July 31, 2012

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## Condensed Consolidated Balance Sheets

July 31, 2012 and April 30, 2012 (unaudited)

(In thousands)

	July 31, 2012	April 30, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,228	\$ 19,848
Receivables (note 2):		
Trade accounts	18,533	38,321
Notes	56,730	41,889
Interest	2,818	1,610
Allowance for doubtful accounts	(4,952)	(5,044)
Total receivables, net	73,129	76,776
Prepaid expenses and other current assets	2,125	5,328
Income tax receivable	6,204	286
Deferred income taxes (note 7)	64	41
Total current assets	83,750	102,279
Property, equipment, and software, net of accumulated depreciation of \$17,536 and \$16,682 for July 31, 2012 and April 30, 2012, respectively	25,462	23,948
Notes receivable, excluding current portion, net of allowance for uncollectible amounts of \$2,082 and \$2,086 for July 31, 2012 and April 30, 2012, respectively, (note 2)	37,544	35,863
Goodwill	1,913	1,913
Other intangible assets, net of accumulated amortization of \$6,193 and \$5,654 for July 31, 2012 and April 30, 2012, respectively, (note 3)	25,483	22,158
Other assets, net	2,589	2,580
Total assets	\$ 176,741	\$ 188,741
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Current installments of long-term debt (note 5)	\$ 3,174	\$ 2,736
Accounts payable and accrued expenses (notes 6 and 12)	7,301	14,170
Due to area developers (note 2)	15,859	21,893
Income taxes payable (note 7)	6,689	6,689

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Deferred income taxes (note 7)	1,607	1,222
Deferred revenue	2,845	3,270
Total current liabilities	30,786	49,980
Long-term debt, excluding current installments (note 5)	36,834	26,249
Deferred income taxes (note 7)	13,839	12,310
Total liabilities	81,459	88,539
Stockholders' equity (notes 6, 8, 9, and 11):		
Class A preferred stock, \$0.01 par value per share, 190,000 shares authorized, 0 and 170,320 shares issued and outstanding July 31, 2012 and April 30, 2012, respectively		2,129
Special voting preferred stock, \$0.01 par value per share, 10 shares authorized, issued and outstanding		
Class A common stock, \$0.01 par value per share, 21,200,000 shares authorized, 12,141,500 and 10,343,957 shares issued and outstanding at July 31, 2012 and April 30, 2012, respectively	121	103
Class B common stock, \$0.01 par value per share, 1,000,000 shares authorized, 900,000 shares issued and outstanding	9	9
Exchangeable shares, \$0.01 par value, 100,000 shares issued and outstanding	1	1
Additional paid-in capital	6,708	3,182
Accumulated other comprehensive income, net of taxes	493	676
Retained earnings	87,950	94,102
Total stockholders' equity	95,282	100,202
Commitments and contingencies (notes 4, 5, 12)		
Total liabilities and stockholders' equity	\$ 176,741	\$ 188,741

See accompanying notes to condensed consolidated financial statements.

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## Condensed Consolidated Statements of Operations

Three months ended July 31, 2012 and 2011 (unaudited)

(In thousands, except per share data)

	2012	2011
<b>Revenues:</b>		
Franchise fees, net of provision for refunds of \$75 in 2012 and \$159 in 2011	\$ 2,411	\$ 1,203
Royalties and advertising fees	1,007	1,018
Financial products	302	159
Interest income (note 2)	2,659	2,021
Tax preparation fees, net of discounts	216	156
Net gain on sale of customer lists and other assets and other revenue	191	311
Total revenues	6,786	4,868
<b>Operating expenses:</b>		
Employee compensation and benefits	6,666	5,650
General and administrative expenses	5,616	3,844
Advertising expense	2,560	1,790
Depreciation, amortization, and impairment charges	1,891	1,622
Total operating expenses	16,733	12,906
Loss from operations	(9,947)	(8,038)
<b>Other income (expense):</b>		
Foreign currency transaction gains	2	2
Interest expense (notes 5 and 6)	(292)	(312)
Loss before income taxes	(10,237)	(8,348)
Income tax benefit (note 7)	(4,085)	(3,369)
Net loss	\$ (6,152)	\$ (4,979)
<b>Net loss per share of Class A and Class B common stock:</b>		
Basic and Diluted	\$ (0.51)	\$ (0.44)

See accompanying notes to condensed consolidated financial statements.

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**JTH HOLDING, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Comprehensive Loss

Three months ended July 31, 2012 and 2011 (unaudited)

(In thousands)

	<b>2012</b>	<b>2011</b>
Net loss	\$ (6,152)	\$ (4,979)
Interest rate swap agreements, net of taxes (note 6)	45	(65)
Foreign currency translation adjustment	(228)	(218)
Comprehensive loss	\$ (6,335)	\$ (5,262)

See accompanying notes to condensed consolidated financial statements.



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## Condensed Consolidated Statements of Cash Flows

Three months ended July 31, 2012 and 2011 (unaudited)

(In thousands)

	2012	2011
Cash flows from operating activities:		
Net loss	\$ (6,152)	\$ (4,979)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts and franchise fee refunds	1,403	1,149
Depreciation and amortization	1,891	1,622
Amortization of deferred financing costs	69	84
Stock-based compensation	398	396
Loss (Gain) on sale of customer lists and other assets	14	(43)
Equity earnings in affiliate	69	
Deferred tax expense	1,889	1,583
Changes in assets and liabilities increasing (decreasing) cash flows from operating activities:		
Trade receivable	7,898	10,397
Notes and interest receivable	(1,817)	(3,078)
Prepaid expenses and other assets	3,050	3,855
Accounts payable and accrued expenses	(7,277)	(4,877)
Due to area developers	(5,126)	(5,300)
Income taxes	(12,607)	(12,378)
Deferred revenue	81	185
Net cash used in operating activities	(16,217)	(11,384)
Cash flows from investing activities:		
Issuance of operating loans to franchisees	(9,956)	(7,985)
Payments received on operating loans from franchisees	999	1,134
Purchases of assets from franchisees and area developers	(1,329)	(285)
Proceeds from sale of customer lists and other assets	350	87
Purchases of property and equipment	(1,976)	(3,267)
Net cash used in investing activities	(11,912)	(10,316)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	1,592	21
Repurchase of common stock	(843)	(1,654)
Repayment of long-term debt	(1,561)	(704)
Borrowings under revolving credit facility	11,078	28,597
Repayments under revolving credit facility		(4,145)
Payment for debt issue costs	(8)	
Tax benefit of stock option exercises	269	458
Net cash provided by financing activities	10,527	22,573
Effect of exchange rate changes on cash, net	(18)	(1)
Net increase (decrease) in cash and cash equivalents	(17,620)	872
Cash and cash equivalents at beginning of period	19,848	1,662

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Cash and cash equivalents at end of period	\$	2,228	\$	2,534
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See accompanying notes to consolidated financial statements.

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## Condensed Consolidated Statements of Cash Flows

Three months ended July 31, 2012 and 2011 (unaudited)

(In thousands)

	<b>2012</b>	<b>2011</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest, net of capitalized interest	\$ 282	\$ 221
Cash paid for taxes, net of refunds	6,364	6,968
<b>Supplemental disclosures of noncash investing and financing activities:</b>		
During the three months ended July 31, 2012 and 2011, the Company acquired certain assets from franchisees as follows:		
Fair value of assets purchased	\$ 5,177	\$ 3,760
Receivables applied	(3,792)	(4,460)
Accounts payable canceled	874	581
Notes payable issued	(1,507)	(100)
Elimination of related deferred revenue	564	504
Applied from sales of franchise territories	13	
Cash paid to franchisees	\$ 1,329	\$ 285
During the three months ended July 31, 2012 and 2011, the Company sold certain assets to franchisees as follows:		