

SKILLSOFT PUBLIC LIMITED CO
Form 10-Q
December 10, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

R QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2009

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 000-25674

SKILLSOFT PUBLIC LIMITED COMPANY
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Republic of Ireland
(State or Other Jurisdiction of
Incorporation or Organization)

None
(I.R.S. Employer
Identification No.)

107 Northeastern Boulevard
Nashua, New Hampshire
(Address of Principal Executive Offices)

03062
(Zip Code)

Registrant's Telephone Number, Including Area Code: (603) 324-3000

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 R 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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).
Yes No

On December 7, 2009, the registrant had outstanding 98,887,476 Ordinary Shares (issued or issuable in exchange for the registrant’s outstanding American Depositary Shares).

SKILLSOFT PLC

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FOR THE QUARTER ENDED OCTOBER 31, 2009
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PART I

ITEM 1. — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SKILLSOFT PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	OCTOBER 31, 2009 (Unaudited)	JANUARY 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,802	\$ 37,853
Short-term investments	3,651	1,099
Restricted cash	2,792	3,790
Accounts receivable, net	69,816	146,362
Prepaid expenses and other current assets	14,781	18,286
Deferred tax assets	30,295	26,444
Total current assets	181,137	233,834
Property and equipment, net	5,960	7,661
Intangible assets, net	6,687	13,472
Goodwill	238,550	238,550
Deferred tax assets	56,125	78,223
Other assets	9,585	3,360
Total assets	\$ 498,044	\$ 575,100
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long term debt	\$ 865	\$ 1,253
Accounts payable	4,175	5,648
Accrued compensation	9,916	13,513
Accrued expenses	18,163	23,760
Deferred revenue	140,424	201,518
Total current liabilities	173,543	245,692
Long term debt	83,716	122,131
Other long term liabilities	2,663	3,221
Total long term liabilities	86,379	125,352
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Ordinary shares, €0.11 par value per share: 250,000,000 shares authorized; 95,222,637 and 98,892,249 shares issued at October 31, 2009 and January 31, 2009, respectively	10,033	10,600
Additional paid-in capital	484,545	509,177
Treasury stock, at cost, 197,200 and 830,802 ordinary shares at October 31, 2009 and January 31, 2009, respectively	(1,928)	(5,317)
Accumulated deficit	(255,294)	(310,874)
Accumulated other comprehensive income	766	470
Total shareholders' equity	238,122	204,056

Total liabilities and shareholders' equity	\$	498,044	\$	575,100
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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SKILLSOFT PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
(UNAUDITED, IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 31,		OCTOBER 31,	
	2009	2008	2009	2008
Revenue	\$ 80,402	\$ 83,064	\$ 235,767	\$ 248,039
Cost of revenue (1)	6,845	9,374	21,842	28,013
Cost of revenue – amortization of intangible assets	32	1,690	96	5,170
Gross profit	73,525	72,000	213,829	214,856
Operating expenses:				
Research and development (1)	12,508	12,138	31,212	38,136
Selling and marketing (1)	23,336	26,387	70,134	82,185
General and administrative (1)	7,857	9,130	25,014	27,454
Amortization of intangible assets	2,118	2,738	6,690	8,475
Merger and integration related expenses	-	-	-	761
Restructuring	-	-	56	-
SEC investigation	-	-	-	49
Total operating expenses	45,819	50,393	133,106	157,060
Operating income	27,706	21,607	80,723	57,796
Other (expense) income, net	(220)	1,013	(1,443)	616
Interest income	66	248	204	1,440
Interest expense	(1,633)	(3,364)	(6,110)	(11,014)
Income before provision for income taxes from continuing operations	25,919	19,504	73,374	48,838
Provision for income taxes	6,289	7,438	17,794	18,790
Income from continuing operations	19,630	12,066	55,580	30,048
(Loss) income from discontinued operations, net of income tax (benefit) expense of (\$25) thousand and \$1.3 million for the three and nine months ended October 31, 2008	-	(37)	-	1,937
Net income	\$ 19,630	\$ 12,029	\$ 55,580	\$ 31,985
Net income per share (Note 9):				
Basic – continuing operations	\$ 0.21	\$ 0.12	\$ 0.58	\$ 0.29
Basic – discontinued operations	\$ -	\$ -	\$ -	\$ 0.02
	\$ 0.21	\$ 0.12	\$ 0.58	\$ 0.31
Basic weighted average shares outstanding	95,374,749	104,182,736	96,489,795	104,779,876
Diluted – continuing operations	\$ 0.20	\$ 0.11	\$ 0.56	\$ 0.28
Diluted – discontinued operations	\$ -	\$ -	\$ -	\$ 0.02
	\$ 0.20	\$ 0.11	\$ 0.56	\$ 0.29†
Diluted weighted average shares outstanding	98,501,863	107,500,272	98,601,709	108,656,388

† Does not add due to rounding.

(1) Share-based compensation included in cost of revenue and operating expenses:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	OCTOBER 31,		OCTOBER 31,	
	2009	2008	2009	2008

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Cost of revenue	\$	17	\$	52	\$	66	\$	163
Research and development		226		227		742		695
Selling and marketing		486		412		1,725		1,434
General and administrative		701		731		2,108		2,212

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

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SKILLSOFT PLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED, IN THOUSANDS)

	NINE MONTHS ENDED	
	OCTOBER 31,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 55,580	\$ 31,985
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	4,641	4,504
Depreciation and amortization	3,419	3,921
Amortization of intangible assets	6,786	13,645
Provision for bad debts	(130)	(187)
Provision for income tax — non-cash	11,924	15,727
Gain on sale of discontinued operations	-	(3,386)
Non-cash interest expense	854	898
Tax (benefit) effect related to exercise of non-qualified stock options	169	(1,247)
Changes in current assets and liabilities:		
Accounts receivable		