

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

WORLDCORP INC

CIK: **811664** | IRS No.: **943040585** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-09591** | Film No.: **94528156**
SIC: **4522** Air transportation, nonscheduled

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarter ended: March 31, 1994 Commission File Number 1-5351

WORLD CORP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 94-3040585
(State of incorporation) (I.R.S. Employer Identification Number)

13873 Park Center Road, Suite 490, Herndon, VA 22071
(Address of Principal Executive Offices)
(703) 834-9200
(Registrant's telephone number)

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 X No

The number of shares of the registrant's Common Stock outstanding on May 6, 1994 was 15,245,319.

WORLD CORP, INC.

MARCH 1994, QUARTERLY REPORT ON FORM 10Q

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WORLD CORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(in thousands)

<TABLE>

<CAPTION>

	(Unaudited) March 31, 1994	December 31, 1993
	-----	-----
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents, including \$1,037 restricted cash at March 31, 1994 and \$3,171 at December 31, 1993	\$ 24,698	\$16,916
Restricted short-term investments	713	668
Trade accounts receivable, less allowance for doubtful accounts of \$299 at March 31, 1994 and \$311 at December 31, 1993	6,731	8,476
Other receivables	4,022	5,109
Prepaid expenses and other current assets	4,397	3,476
Assets held for sale	6,000	6,000
	-----	-----
Total current assets	46,561	40,645
	-----	-----
ASSETS HELD FOR SALE	8,175	8,660
EQUIPMENT AND PROPERTY		
Flight and other equipment	37,700	35,547
Equipment under capital leases	13,005	13,675
	-----	-----
Less accumulated depreciation and amortization	50,705	49,222
	16,320	16,171
	-----	-----
Net equipment and property	34,385	33,051
	-----	-----
LONG-TERM OPERATING DEPOSITS	11,460	10,028
OTHER ASSETS AND DEFERRED CHARGES	4,088	4,735
	-----	-----
TOTAL ASSETS	\$104,669	\$97,119
	=====	=====

(Continued)

</TABLE>

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WORLD CORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Continued)
LIABILITIES AND COMMON STOCKHOLDERS' DEFICIT
(in thousands except share data)

<TABLE>
<CAPTION>

	(Unaudited) March 31, 1994	December 31, 1993
<S>	<C>	<C>
CURRENT LIABILITIES		
Note payable to bank	\$ 6,148	\$ 7,069
Current maturities of long-term obligations	15,005	10,448
Deferred aircraft rent	6,512	6,295
Accounts payable	9,346	11,064
Unearned revenue	3,790	4,456
Accrued maintenance in excess of reserves paid	9,476	14,732
Accrued salaries and wages	8,038	7,252
Accrued interest	2,744	2,224
Accrued taxes	1,994	955
	-----	-----
Total current liabilities	63,053	64,495
	-----	-----
LONG-TERM OBLIGATIONS, NET		
Subordinated convertible debt	65,000	65,000
Subordinated notes, net	24,930	24,926
Deferred aircraft rent, net of current portion	1,860	1,850
Equipment financing and other long-term obligations	20,292	26,825
	-----	-----
Total long-term obligations, net	112,082	118,601
	-----	-----
OTHER LIABILITIES		
Deferred gain from sale leaseback transactions, net of accumulated amortization of \$31,547 at March 31, 1994 and \$30,395 at December 31, 1993	9,170	10,322
Accrued postretirement benefits	2,322	2,250
Accrued maintenance in excess of reserves paid	2,470	2,080
Other	459	444
	-----	-----
Total other liabilities	14,421	15,096
	-----	-----
TOTAL LIABILITIES	189,556	198,192
	-----	-----
COMMON STOCKHOLDERS' DEFICIT		
Common stock, \$1 par value, (60,000,000 shares authorized, 15,314,976 shares issued and 15,252,391 shares outstanding at March 31, 1994 and 15,224,076 shares issued and 15,161,491 shares outstanding at December 31, 1993)	15,315	15,224
Additional paid-in capital	34,480	34,071
Retained deficit	(132,518)	(148,114)
ESOP guaranteed bank loan	(1,824)	(1,914)
Treasury stock, at cost	(340)	(340)
	-----	-----
TOTAL COMMON STOCKHOLDERS' DEFICIT	(84,887)	(101,073)
	-----	-----
COMMITMENTS AND CONTINGENCIES		
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 104,669	\$ 97,119
	=====	=====

</TABLE>
See accompanying Notes to Condensed Consolidated Financial Statements

WORLD CORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For The Three Months Ended March 31,
(in thousands except share data)
(Unaudited)

<TABLE>

<CAPTION>	1994	1993
<S>	<C>	<C>
OPERATING REVENUES		
Contract flight operations	\$ 31,561	\$ 27,321
Flight operations subcontracted to other carriers	--	141
Other	159	424
Transaction processing-US Order	317	151
	-----	-----
Total operating revenues	32,037	28,037
	-----	-----
OPERATING EXPENSES		
Flight	13,038	11,002
Fuel	5,336	5,478
Maintenance	964	6,383
Aircraft costs	11,747	8,945
Selling and administrative	5,620	4,038
Depreciation and amortization	1,334	2,152
Flight operations subcontracted to other carriers	28	95
Transaction processing-US Order	2,379	2,490
Loss on sale of Key Airlines	--	423
	-----	-----
Total operating expenses	40,446	41,006
	-----	-----
OPERATING LOSS	(8,409)	(12,969)
	-----	-----
OTHER INCOME (EXPENSE)		
Interest expense	(3,209)	(2,458)
Interest income	171	225
Gain on sale of interest in World Airways	26,921	--
Other, net	(7)	(211)
	-----	-----
Total other income (expense)	23,876	(2,444)
	-----	-----
EARNINGS (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	15,467	(15,413)
INCOME TAX EXPENSE	(340)	--
MINORITY INTEREST	469	1,225
	-----	-----
NET EARNINGS (LOSS)	\$ 15,596	\$ (14,188)
	=====	=====

(Continued)

</TABLE>

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WORLD CORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Continued)

For the Three Months Ended March 31,

(Unaudited)

<TABLE>
<CAPTION>

<S>

NET INCOME (LOSS) PER COMMON AND
COMMON EQUIVALENT SHARE

	1994	1993
<C>	<C>	<C>
Primary:	\$ 0.93	\$ (1.00)
	=====	=====
Fully diluted:	\$ 0.74	\$ *
	=====	=====

</TABLE>

<TABLE>
<CAPTION>

WEIGHTED AVERAGE COMMON AND COMMON
EQUIVALENT SHARES OUTSTANDING

<S>	<C>	<C>
Primary	17,100,862	14,214,093
	=====	=====
Fully diluted	22,977,896	*
	=====	=====

</TABLE>

* Fully diluted earnings per share are anti-dilutive.

See accompanying Notes to Condensed Consolidated Financial Statements.

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WORLD CORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN COMMON STOCKHOLDERS' DEFICIT
For the Three Months Ended March 31, 1994
(in thousands except share data)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Deficit	Employee Stock Owner- ship Plan Guaranteed Bank Loan	Treasury Stock at cost	Total Common Stockholders' Deficit
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1993	\$ 15,224	\$ 34,071	\$ (148,114)	\$ (1,914)	\$ (340)	\$ (101,073)
Exercise of 90,000 options and warrants	91	359	--	--	--	450
Employee Stock Ownership Plan guaranteed bank loan	--	--	--	90	--	90
Other	--	50	--	--	--	50
Net loss	--	--	15,596	--	--	15,596
	-----	-----	-----	-----	-----	-----
BALANCE AT MARCH 31, 1994	\$ 15,315	\$ 34,480	\$ (132,518)	\$ (1,824)	\$ (340)	\$ (84,887)
	=====	=====	=====	=====	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements

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WORLD CORP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three months ended March 31,	
	1994	1993
<S>	<C>	<C>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	\$ 16,916	\$ 13,759
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	15,596	(14,188)
Adjustments to reconcile net income (loss) to cash		

used by operating activities:		
Depreciation and amortization	1,334	2,240
Deferred gain recognition	(1,152)	(1,141)
Loss on sale of property and equipment	51	--
Minority interest in loss of subsidiary	(469)	(1,225)
Gain on sale of World Airways	(26,921)	--
Other	379	237
Changes in certain assets and liabilities net of effects of non-cash transactions:		
Decrease in accounts receivable	2,835	3,919
Increase in deposits, prepaid expenses and other assets	(1,918)	(1,844)
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(2,080)	12,065
	-----	-----
Net cash (used) provided by operating activities	(12,345)	63
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to equipment and property	(2,670)	(5,492)
Disposals of equipment and property	625	1,679
Proceeds from sales of investments	150	3,299
Purchase of investments	(195)	(750)
	-----	-----
Net cash used by investing activities	(2,090)	(1,264)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances under bank line of credit and debt	40,493	700
Repayments under bank line of credit and debt	(43,377)	(1,828)
Proceeds from stock transactions	450	1,134
Proceeds from sale of World Airways	24,651	--
Other	--	(70)
	-----	-----
Net cash provided (used) by financing activities	22,217	(64)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,782	(1,265)
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 24,698	\$ 12,494
	=====	=====

</TABLE>

NOTE: Cash payments of approximately \$2.5 million and \$2.1 million were made for interest in 1994 and 1993.

See accompanying Notes to Condensed Consolidated Financial Statements

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WORLD CORP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The condensed consolidated balance sheet of WorldCorp, Inc. ("WorldCorp" or the "Company") as of March 31, 1994, the related condensed consolidated statements of operations for the three month periods ended March 31, 1994 and 1993, the condensed consolidated statement of changes in common stockholders' deficit for the three months ended March 31, 1994, and the condensed consolidated statements of cash flows for the three months ended March 31, 1994 and 1993 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been included. Such adjustments consisted only of normal recurring items. All significant intercompany balances have been eliminated. Interim results are not necessarily indicative of results for a full year. Certain 1993 amounts have been reclassified to conform with the 1994 presentation.

The financial statements and notes are presented as required by Form 10-Q, and do not contain certain information included in the Company's annual financial statements and notes. These financial statements should be read in conjunction with the financial statements and the notes included in the Company's annual report filed on Form 10-K for the year ended December 31, 1993.

2. On February 28, 1994, WorldCorp, World Airways, and MHS Berhad ("MHS") completed the 24.9% sale of World Airways' common stock for \$27.4 million in cash. WorldCorp recognized a gain of approximately \$26.9 million from this transaction in the first quarter of 1994. The Company expects to use a portion of its capital loss and net operating loss carryforwards to offset this gain.

3. On March 31, 1994, the lease of three DC10-30 convertible aircraft expired. World Airways will continue to sublease these aircraft from their new lessor beginning April 1, 1994 with lease terminations at various dates between July 10, 1994 and September 19, 1994. In connection with this lease termination, the Company reversed \$4.5 million in accrued maintenance reserves.

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WORLD CORP, INC. AND CONSOLIDATED SUBSIDIARIES

CALCULATIONS OF EARNINGS (LOSS) PER COMMON SHARE

For the Three Months Ended March 31,
(in thousands except share data)
(Unaudited)

<TABLE>
<CAPTION>

	1994		1993	
	Primary	Fully Diluted	Primary	Fully Diluted
<S>	<C>	<C>	<C>	<C>
Earnings (loss) from continuing operations	\$ 15,596	\$ 15,596	\$ (14,188)	\$ (14,188)
Plus: assumed interest expense reduction from conversion of convertible debt	--	1,137	--	--
Plus: assumed interest expense reduction due to retirement of subordinated notes with excess proceeds from exercise of options and warrants	382	382	--	--
Net earnings (loss) applicable to common stock	\$ 15,978	\$ 17,115	\$ (14,188)	\$ (14,188)
Weighted average common shares outstanding	15,170,020	15,170,020	14,214,093	14,214,093
Weighted average options and warrants treated as common stock equivalents	1,930,842	1,930,842	--	--
Weighted average other dilutive securities	--	5,877,034	--	--
Primary and fully diluted number of shares	17,100,862	22,977,896	14,214,093	14,214,093
Net earnings (loss) per share of common stock	\$ 0.93	\$ 0.74	\$ (1.00)	\$ (1.00)

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations presented below relates to the operations of WorldCorp, Inc. ("the Company") as reflected in its condensed consolidated financial statements. These statements primarily include the accounts of the contract flight operations of World Airways, Inc. ("World Airways"). On February 28, 1994, the Company sold 24.9% of its ownership in World Airways to MHS Berhad, a Malaysian aviation company. WorldCorp also has an ownership interest in US Order, Inc. ("US Order"), a developmental stage company, which has developed systems that facilitate banking, bill payment, enhanced telephone services, and shopping from the home. On July 1, 1992, the Company increased its ownership to 51%. In December 1993, US Order completed a \$12.0 million private equity placement. As a result of this transaction, WorldCorp currently owns 46% of the voting stock of US Order. WorldCorp has an option through December 15, 1994, to purchase additional shares of the capital stock of US Order for consideration equal to \$5.0 million which, if exercised, would increase its voting ownership percentage

to 79%. US Order's results of operations are consolidated in the accompanying financial statements.

General

WorldCorp operates in two business areas: air transportation services and transaction services. WorldCorp's air transportation services business consists of its 75.1% ownership of World Airways, a leading worldwide provider of air transportation for commercial and government customers. WorldCorp's transaction services business consists of its 46% ownership of the voting stock of US Order and 100% ownership of WorldGames. US Order develops and sells systems and services that enable consumers to bank, pay bills, shop, or use enhanced telephone services from the home. WorldGames is the sole licensee of ScanFone(R) technology for applications in the gaming industry.

Air Transportation Services

World Airways is a contract air carrier that charges customers based on a block hour basis rather than a per seat or per pound basis. A "block hour" is defined as the elapsed time computed from the moment the aircraft moves at its point of origin to the time it comes to rest at its destination. Fluctuations in flight revenues are not necessarily indicative of true growth because of shifts in the mix between full service contracts and basic contracts. Under the terms of full service contracts, World Airways is responsible for all costs associated with operating these contracts and receives a higher rate per hour. Under the terms of basic contracts, World Airways provides only certain services associated with the contract including aircraft, crews, insurance, and maintenance. World Airways typically charges a lower rate per hour for basic contracts since the customer is responsible for other operating costs. For this reason, it is important to measure pure growth through block hours flown rather than actual revenues earned. Typically, U.S. military contracts are full service contracts where the rate paid is set annually and consists of all flying costs, including fuel and ground handling of the aircraft and cargo. World Airways, as a matter of policy, includes fuel cost adjustment mechanisms in full service contracts, thus minimizing the risk of fuel price volatility to World Airways.

Customers

World Airways' business relies heavily on its U.S. Air Mobility Command ("AMC"), Malaysian Airline System Berhad ("MAS"), and P.T. Garuda Indonesia ("Garuda") contracts, which provided 24%, 17%, and 21%, respectively, of consolidated revenues in 1993, and 19%, 16%, and 16%, respectively, of total block hours. The AMC contract provided 51% of consolidated revenues and 38% of total block hours in the first quarter of 1994. Operations under the MAS and Garuda contracts commence in the second quarter. The loss of any of these contracts or a substantial reduction in business from any of these contracts, if not replaced, would have a material adverse effect on the Company's revenues and financial condition.

AMC has awarded contracts to World Airways since 1956. World Airways' current annual contract with AMC will expire in September 1994. The minimum contract amount for 1994 of \$20.4 million is a 68% increase over 1993, and will be augmented by further expansion business. Expansion business totalled 161% of the minimum contract amount for 1993 and 98% for the first quarter of 1994. World Airways cannot determine how any future cuts in military spending may affect future operations with AMC.

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World Airways has provided service to MAS since 1981, transporting passengers for the annual Hadj pilgrimage as well as providing aircraft for integration into MAS' scheduled passenger and cargo operations. The current MAS contract, which was entered into in 1992, expires in 1996. In 1993, World Airways provided four aircraft for Hadj operations. Due to limitations imposed by the Saudi government on the number of pilgrims allowed in 1994, MAS' aircraft requirements from World Airways was reduced to two aircraft. MHS Berhad, which recently acquired 24.9% of World Airways, is in the process of acquiring 32% of MAS from the Malaysian government.

World Airways has provided service to Garuda since 1988 under an annual contract. World Airways is providing six aircraft for the 1994 Garuda Hadj operations. In addition, World Airways has provided aircraft for Garuda's cargo operations in previous years.

Transaction Services

US Order is a leading provider of interactive transaction services to the home

and the only company with a screen-based telephone that is fully operational with a broad menu of available services. Transaction services are currently offered via screen-based telephones, although the Company expects to offer its bill pay services via personal computers and touch tone telephones using audio response units in 1994. Longer term, the Company plans to develop the capability to support services offered via interactive cable, video games control units, and personal digital assistants. Services currently offered by US Order include bank account inquiry, funds transfer, bill payment, catalog shopping, home delivery of groceries and restaurant meals, and enhanced telephone services. Future services are expected to encompass an expanded set of applications. The Company generates revenues through the monthly fees charged to customers for its screen-based telephones (ScanFone(R) and PhonePlus/TM/) and transaction services used, as well as the fees paid to the Company by service providers.

Results of Operations

Three Months Ended March 31, 1994 Compared to the Three Months Ended March 31,

1993

Operating Revenue

In the first quarter of 1994, operating revenues increased \$4.0 million (14%) to \$32.0 million primarily due to an increase in block hours flown. Block hours increased 18% to 4,207 in 1994 from 3,566 in 1993. This increase was partially offset by a three percent decrease in revenue per block hour to \$7,502 in 1994 from \$7,701 in 1993. Block hours under full service contracts were 72% of total block hours in 1994 and 83% in 1993.

Aircraft capacity, the number of days that the Company's aircraft are available for service (including days in maintenance), increased to 8.1 available aircraft per day in the first quarter of 1994 from 7.3 in 1993. This increase was augmented by a five percent increase in daily aircraft utilization to 5.8 hours in 1994 from 5.5 hours in 1993. Aircraft utilization is measured by the total block hours that the Company's aircraft were in use divided by the number of days that the aircraft were available for service (including days in maintenance).

Operating Expenses

Flight costs increased \$2.0 million (19%) due to costs associated with increased passenger flying.

Maintenance costs decreased by \$5.4 million (85%). In the first quarter of 1994, the lease of three DC10-30 aircraft expired. Excess accrued maintenance reserves of \$4.5 million associated with these aircraft were reversed. Excluding the effect of this reversal, maintenance cost per block hour was \$1,287 in the first quarter of 1994 compared with \$1,790 in 1993. The reduced maintenance costs are due, in part, to guarantees and warranties received from the engine and aircraft manufacturers of the MD-11 aircraft. Because the MD-11 is a relatively new aircraft, cost experience on the maintenance of the aircraft is unavailable. Therefore, the Company is, in part, relying on manufacturers' guidelines to estimate future maintenance costs on the MD-11 aircraft.

Aircraft costs increased by \$2.8 million (31%) in 1994. This increase was primarily due to a \$6.6 million increase in rent cost associated with the delivery of four MD-11 aircraft during March and April 1993. Partially offsetting these increases was a reduction of \$4.1 million in rent costs associated with the return of the three DC10 aircraft in 1993.

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Fuel costs decreased by \$0.1 million (3%) primarily due to a decrease in full service contracts.

Depreciation and amortization decreased \$0.9 million (40%) primarily as a result of the elimination of costs for leasehold improvements to two DC10-30 aircraft integrated into World Airways' fleet in April 1992. These aircraft were initially leased under twelve-year operating leases and were returned to their lessor in July 1993, accelerating the amortization of the related leasehold improvements. This decrease was partially offset by the purchase of spare parts for MD-11 aircraft integrated into the fleet in 1993.

Selling and administrative costs increased \$1.6 million (39%) primarily as a result of increased legal fees and marketing efforts.

Transaction Services - US Order

In December 1993, US Order completed a \$12.0 million private equity placement. Following this transaction, WorldCorp's ownership percentage decreased from 51% to 46% of the voting stock of US Order. WorldCorp has an option through December 15, 1994 to purchase additional shares of the voting stock of US Order for consideration equal to \$5.0 million, which would increase its ownership of the voting stock to 79%. The accompanying statements of operations include 59% of the results of operations of US Order in the first quarter of 1994. This 59% is based on liquidation preferences. In the first quarter of 1994, the Company recorded \$2.4 million of losses relating to US Order, compared to \$1.4 million of losses (net of \$1.2 million of minority interest) in 1993.

Non-Operating Items

Interest income decreased as a result of lower investment balances and lower interest rates in 1994. Interest expense increased \$0.8 million in 1994 as a result of MD-11 rotables financing, aircraft rent deferrals, and a bank line of credit.

Liquidity and Capital Resources

The Company's air transportation subsidiary operates in a very challenging business environment. The combination of a generally weak economy, reduced military spending, and the depressed state of the airline industry and the economy has adversely affected the Company's operating performance. The Company is highly leveraged primarily due to losses sustained by World Airways' discontinued scheduled operations between 1979 and 1986, and losses the Company incurred in 1990, 1992, and 1993. The Company has historically financed its working capital and capital expenditure requirements out of cash flow from operating activities, secured borrowings, and other financings from banks and other lenders.

Cash Flows from Operating Activities

During the first quarter of 1994, operating activities used \$12.3 million compared to providing \$0.1 million in the prior year. This decrease in cash is primarily due to the reduction in accounts payable. In 1993, the Company incurred significant liabilities relating to the integration of four MD-11 aircraft into the fleet.

Cash Flows from Investing Activities

Cash flows from investing activities used \$2.1 million in 1994 as compared to \$1.3 million in 1993. In 1994, the Company purchased spare parts for one MD-11 aircraft integrated into the fleet in April 1994. In 1993, the Company purchased spare parts relating to the integration of four MD-11 aircraft which was offset by the sale of equipment and investments.

Cash Flows from Financing Activities

In the first quarter of 1994, financing activities provided \$22.2 million compared to using \$0.1 million in the prior year. This increase resulted primarily from the sale of 24.9% of World Airways to MHS.

Capital Plans

World Airways plans to exit higher cost DC10 aircraft and ultimately standardize its fleet around the MD-11 aircraft. In October 1992 and January 1993, World Airways signed a series of agreements to lease seven new MD-11 aircraft for

initial lease terms of two to five years. As of May 6, 1994, World Airways has taken delivery of four passenger MD-11 aircraft and one freighter MD-11 and is scheduled to take delivery of two convertible MD-11s in 1995. Two of the passenger MD-11 aircraft replaced the two passenger DC10-30 aircraft which were integrated into World Airways' fleet in April 1992 and returned to McDonnell Douglas in July 1993. The delivery of the convertible MD-11s is expected to occur approximately six months after the end of the lease of three DC10-30 convertibles during the third quarter of 1994.

World Airways made \$3.8 million of capital expenditures and cash deposits for MD-11 integration in the first quarter of 1994. World Airways estimates that its required capital expenditures for MD-11 integration will be approximately

\$3.5 million for the remainder of 1994 and \$9.8 million in 1995. As of March 31, 1994, the Company holds approximately \$14.2 million (at book value) of aircraft spare parts and transaction processing terminals currently available for sale. The Company anticipates proceeds from the sale of these assets to be approximately \$7.5 million in 1994 with the balance received in 1995.

US Order's working capital and capital expenditure requirements for 1994 are expected to be approximately \$8.0 million. As of March 31, 1994, WorldCorp has invested \$18.1 million of funds in US Order. US Order is currently seeking a private equity placement for up to \$8.0 million with financial and strategic partners. However, there can be no assurance that such financing will be obtained. WorldCorp does not plan to provide additional financing to US Order in 1994.

Financing Developments

As previously stated in its most recent Form 10-K, the Company has closed certain transactions and executed agreements covering other transactions which, in aggregate, have significantly increased the cash reserves of WorldCorp, World Airways, and US Order.

First, on October 30, 1993, WorldCorp, Inc., World Airways, Inc., and MHS Berhad entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") pursuant to which MHS, subject to satisfactory completion of its due diligence investigations, agreed to purchase 24.9% of World Airways' common stock for \$27.4 million in cash. Under this Agreement, World Airways would receive upon closing (the "Closing") \$12.4 million to fund its working capital requirements. The remaining \$15.0 million (less a \$2.7 million deposit received in November 1993) would be paid to WorldCorp to add to its cash reserves. At the time of the signing of the Stock Purchase Agreement, World Airways was a wholly-owned subsidiary of WorldCorp. On February 28, 1994, WorldCorp, World Airways, and MHS concluded the transaction according to the terms described above. As a result of this transaction, WorldCorp recognized a gain of approximately \$26.9 million in the first quarter of 1994.

Second, World Airways finalized an agreement with a financial institution for a \$20.0 million credit facility collateralized by certain receivables and spare parts. This agreement contains certain covenants related to World Airways' financial condition and operating results. Approximately \$10.8 million of the proceeds from this transaction were used to retire existing obligations. The balance was added to cash reserves. As of April 30, 1994, \$2.4 million of the \$8.0 million portion of the credit facility collateralized by receivables was utilized. World Airways was not in compliance with its debt covenants at the end of the first quarter but has obtained waivers from the financial institution. World Airways will not meet these required covenants in the second quarter of 1994, and will seek waivers.

Third, on November 8, 1993, World Airways completed negotiations for \$14.7 million of lease payment deferrals and related financings for eight of its nine aircraft in 1993. The ninth aircraft was returned to the lessor in October 1993. Additionally, World Airways received a permanent reduction in the lease rate for one DC10 aircraft, the only DC10 that will remain on long-term lease after September 1994. In 1993, \$6.6 million of the deferrals were repaid. The remaining deferrals are scheduled to be repaid beginning in the second quarter of 1994, and bear interest at rates ranging from 7% to 12%.

Fourth, in December 1993, US Order completed a private equity placement with financial and strategic partners for \$12.0 million, of which WorldCorp invested \$1.7 million. As a result of this transaction, WorldCorp owns 46% of the voting stock of US Order. WorldCorp has an option through December 15, 1994, to purchase additional shares of capital stock of US Order for consideration equal to \$5.0 million which, if exercised, would increase its ownership percentage of the voting stock to 79%.

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Finally, WorldCorp is seeking to place privately two securities of US Order that it currently holds: a \$3.5 million increasing rate note with warrants in US Order, and \$7.5 million of non-convertible preferred stock with warrants in US Order. No assurances can be made that the Company will be successful in placing these securities.

The Company believes that the combination of the financings consummated to date and the operating and additional financing plans described above will be sufficient to allow the Company to meet its operating and capital requirements during 1994.

Business Trends

The Company's air transportation business is highly seasonal. Typically, World

Airways experiences reduced demand during the first quarter for passenger and cargo services relative to other times of the year. World Airways generally experiences stronger results in the second and third quarters due to demand for commercial passenger services including the annual Hadj pilgrimage. Fourth quarter results depend upon the overall world economic climate and global trade patterns.

Since the end of the Persian Gulf War, soft demand and weakening yields have adversely affected worldwide cargo and passenger markets. In management's view, block hours flown are a critical driver of the airline's profitability. In order for World Airways to achieve positive operating results and meet its requirements under certain financing agreements, it will be necessary to increase block hours flown from 1993 levels. In response, World Airways has significantly increased its worldwide sales and marketing presence by 1) selling 24.9% of its equity to MHS Berhad, solidifying a marketing alliance with a leading aviation company in Malaysia, 2) recruiting three active outside board members with experience in worldwide aviation and travel services, and 3) increasing its internal sales and marketing staff from two to seven executives. These actions were taken with the objective of increasing World Airways' flying levels. The fourth quarter of 1993 was the first recent quarter where flying level trends turned positive, increasing by 40% over the prior year's fourth quarter. In the first quarter of 1994, the trend continued with flying levels up 18% over the first quarter of 1993.

World Airways expects its second quarter results to be affected by the imposition of quota limitations by the Saudian government which reduced the size of the 1994 MAS Hadj from four to two aircraft. Third quarter results depend in part on the ability of World Airways to obtain regulatory approval by a foreign government to operate a scheduled service contract for one passenger aircraft. Fourth quarter 1994 flying levels will largely depend upon global trade demand for one MD-11 cargo aircraft and the placement of at least two MD-11 passenger aircraft under longer-term contracts. World Airways is currently in discussions with its equity partner, MHS, to place one or more of these aircraft.

In the course of the past year, while preparing to launch its third-generation service offering, US Order has maintained a customer base of approximately 10,000 users. As a result of extensive studies of the preferences and usage patterns of these customers, US Order has shifted to some degree the focus of its service offerings.

US Order's research clearly indicates the importance of bill-payment and banking services to attracting and retaining customers. Therefore, US Order's service offering to financial institutions and their customers has expanded in recent months. US Order will soon provide bill-payment and banking services to financial institutions via audio response units (APUs), which are currently the principal technology used for touch-tone or telephone banking by consumers. US Order is currently negotiating with several major banks to begin offering services via APUs. Late in 1994, US Order also expects to offer similar bill-payment and banking services via personal computers. US Order's management believes that the proliferation of different types of devices (screen-based phones, PCs, touch-tone phones, etc.) will assist in the development of its bill-payment and banking business.

US Order is also significantly expanding its direct sales to consumers of screen-based phones and transaction services. Central to this effort is US Order's third-generation screen-based phone, PhonePlus/TM/, which was announced in October 1993 and will be available to consumers in the third quarter of 1994 with a range of financial services and enhanced telephone services. US Order's relationships with various telephone companies are evolving from joint marketing arrangements to US Order acting as a reseller of enhanced telephone services. This shift has been facilitated by the fact that screen-based phones such as PhonePlus/TM/ greatly improve the ease of use of enhanced telephone services such as Caller ID.

Other Matters

On August 11, 1992, WorldCorp, World Airways, and certain other commercial paper customers of Washington Bancorporation ("WBC") were served with a complaint by WBC as debtor-in-possession by and through the Committee of Unsecured Creditors of WBC (the "Committee"). The complaint arises from investment proceeds totaling \$6.8 million received by WorldCorp and World Airways from WBC in May 1990 in connection with the maturity of WBC commercial paper. The Committee seeks to recover this amount on the grounds that these payments constituted voidable preferences and/or fraudulent conveyances under the Federal Bankruptcy Code and under applicable state law. On June 9, 1993, the Company filed a motion to dismiss this litigation and intends to vigorously contest the claim. No assurances can be given of the eventual outcome of this litigation.

World Airways' cockpit and flight attendant crewmembers are covered by collective bargaining agreements which expired in July 1992. World Airways is currently in negotiations with the International Brotherhood of Teamsters ("Teamsters") to develop new agreements for cockpit and flight attendant crewmembers. World Airways and the Teamsters jointly requested the assistance of a federal mediator to facilitate negotiations between World Airways and its cockpit crewmembers. The outcome of the negotiations cannot be determined at this time.

WorldCorp has never paid any cash dividends and does not plan to do so in the foreseeable future. Both the 13 7/8% Subordinated Notes Indenture and the indenture pursuant to which the Debentures were issued (the "Indentures") restrict the Company's ability to pay dividends or make other distributions on its common stock. In addition, the Indentures originally restricted the ability of World Airways to pay dividends other than to the Company. In 1994, however, the Company received approval from the holders of the Indentures to allow World Airways to pay dividends to parties other than the Company.

The \$20 million credit facility also contains restrictions on World Airways' ability to pay dividends. Under this agreement, World Airways cannot declare, pay, or make any dividend or distribution in excess of the lesser of \$4.5 million or 50% of net income for the previous six months. In addition, World Airways must have a cash balance of at least \$7.5 million immediately after giving effect to such dividend.

All of the funds from operations are generated by the Company's subsidiaries. The ability of the Company and its subsidiaries to pay principal and interest on their respective short and long-term obligations is substantially dependent upon the payment to the Company of dividends, interest or other charges by its subsidiaries and upon funds generated by the operations of the subsidiaries.

As of December 31, 1993, the Company had net operating loss carryforwards, investment tax credit carryforwards, and alternative minimum tax credit carryforwards of \$137.2 million, \$9.6 million, and \$2.2 million, respectively (the "Carryforwards"). The availability of net operating loss and tax credit carryforwards to reduce the Company's future federal income tax liability is subject to limitations under the Internal Revenue Code of 1986, as amended (the "Code"). Generally, these limitations restrict availability of net operating loss and tax credit carryforwards upon an ownership change. In August 1991, the Company experienced an ownership change, and the use of \$72.6 million of net operating loss carryforwards available to the Company from losses generated prior to the ownership change, plus the tax credit carryforwards described above, are limited to approximately \$6.3 million annually (the "Limitation"). As a result of the transaction with MHS in February 1994, however, the Carryforwards will be split into two components: those generated solely by World Airways, and those generated by the remaining entities of the controlled group. As a result, approximately \$84.8 million of the consolidated net operating loss carryforward will no longer be available to offset federal taxable income reflected on future consolidated tax returns. Instead, the \$84.8 million will be available to World Airways on a separate company basis (subject to the Limitation). World Airways will also retain sole use of the \$9.6 million investment tax credit carryforward and the \$2.2 million alternative minimum tax credit carryforward to reduce its future federal income tax liability, subject to limitations under the Code.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

<TABLE>
<CAPTION>

Exhibit No.	Exhibit
<C>	<S>
11	Calculation of Income (Loss) per Common Share

</TABLE>

(b) Reports on Form 8-K.

Form 8-K, dated February 28, 1994, was filed with the Securities and Exchange Commission on March 14, 1994.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WORLDCORP, INC.

By: /s/ T. Coleman Andrews, III

(T. Coleman Andrews, III)
Chief Executive Officer, President,
and Principal Accounting Officer

Date: May 13, 1994

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Commission file number 1-5351

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

EXHIBITS

to

FORM 10-Q

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

For the fiscal quarter ended March 31, 1994

WORLDCORP, INC.
(Exact name of registrant as specified in its charter)

EXHIBIT 11

WORLD CORP, INC. AND CONSOLIDATED SUBSIDIARIES

CALCULATIONS OF EARNINGS (LOSS) PER COMMON SHARE

For the Three Months Ended March 31,
(in thousands except share data)
(Unaudited)

	1994		1993	
	Primary	Fully Diluted	Primary	Fully Diluted
<S>	<C>	<C>	<C>	<C>
Earnings (loss) from continuing operations	\$ 15,596	\$ 15,596	\$ (14,188)	\$ (14,188)
Plus: assumed interest expense reduction from conversion of convertible debt	--	1,137	--	--
Plus: assumed interest expense reduction due to retirement of subordinated notes with excess proceeds from exercise of options and warrants	382	382	--	--
Net earnings (loss) applicable to common stock	\$ 15,978	\$ 17,115	\$ (14,188)	\$ (14,188)
Weighted average common shares outstanding	15,170,020	15,170,020	14,214,093	14,214,093
Weighted average options and warrants treated as common stock equivalents	1,930,842	1,930,842	--	--
Weighted average other dilutive securities	--	5,877,034	--	--
Primary and fully diluted number of shares	17,100,862	22,977,896	14,214,093	14,214,093
Net earnings (loss) per share of common stock	\$ 0.93	\$ 0.74	\$ (1.00)	\$ (1.00)

</TABLE>