

CAREER EDUCATION CORP
Form 10-Q
August 03, 2011
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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 30, 2011

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: 0-23245

CAREER EDUCATION CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of

incorporation or organization)

231 N. Martingale Road

Schaumburg, Illinois
(Address of principal executive offices)

Registrant's telephone number, including area code: (847) 781-3600

36-3932190
(I.R.S. Employer

Identification No.)

60173
(Zip 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 website, 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934. Yes No

Number of shares of registrant's common stock, par value \$0.01, outstanding July 31, 2011: 76,270,948

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(In thousands, except share and per share amounts)

	June 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 228,821	\$ 289,482
Short-term investments	159,939	159,671
Total cash and cash equivalents and short-term investments	388,760	449,153
Student receivables, net of allowance for doubtful accounts of \$45,961 and \$50,104 as of June 30, 2011 and December 31, 2010, respectively	57,968	62,287
Receivables, other, net	3,214	4,132
Prepaid expenses	36,634	52,077
Inventories	11,085	13,142
Deferred income tax assets, net	31,665	31,665
Other current assets	24,665	6,246
Assets of discontinued operations	4,886	6,742
Total current assets	558,877	625,444
NON-CURRENT ASSETS:		
Property and equipment, net	364,757	366,775
Goodwill	385,325	381,476
Intangible assets, net	112,731	118,763
Student receivables, net of allowance for doubtful accounts of \$32,092 and \$40,840 as of June 30, 2011 and December 31, 2010, respectively	11,374	12,522
Deferred income tax assets, net	4,770	5,092
Other assets, net	31,999	42,752
Assets of discontinued operations	18,843	19,055
TOTAL ASSETS	\$ 1,488,676	\$ 1,571,879
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of capital lease obligations	\$ 878	\$ 783
Accounts payable	47,395	56,013
Accrued expenses:		
Payroll and related benefits	45,315	73,608
Advertising and production costs	22,868	18,846
Income taxes	9,132	
Earnout payments	14,047	17,439
Other	48,104	98,113
Deferred tuition revenue	159,765	176,102
Liabilities of discontinued operations	14,010	15,100
Total current liabilities	361,514	456,004
NON-CURRENT LIABILITIES:		
Capital lease obligations, net of current maturities	464	1,223
Deferred rent obligations	105,627	103,996
Earnout payments		7,690
Other liabilities	39,706	30,853
Liabilities of discontinued operations	30,317	37,576

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Total non-current liabilities	176,114	181,338
SHARE-BASED AWARDS SUBJECT TO REDEMPTION	119	153
STOCKHOLDERS EQUITY:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued or outstanding		
Common stock, \$0.01 par value; 300,000,000 shares authorized; 82,444,372 and 81,220,265 shares issued, 76,266,154 and 81,209,410 shares outstanding as of June 30, 2011 and December 31, 2010, respectively	824	812
Additional paid-in capital	588,676	576,853
Accumulated other comprehensive income (loss)	11,457	(81)
Retained earnings	485,413	356,991
Cost of 6,178,218 and 10,855 shares in treasury as of June 30, 2011 and December 31, 2010, respectively	(135,441)	(191)
Total stockholders equity	950,929	934,384
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,488,676	\$ 1,571,879

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

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CAREER EDUCATION CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	For the Quarters Ended June 30,		For the Years to Date Ended June 30,	
	2011	2010	2011	2010
REVENUE:				
Tuition and registration fees	\$ 481,970	\$ 509,129	\$ 1,003,064	\$ 1,018,637
Other	15,223	18,610	37,490	38,528
Total revenue	497,193	527,739	1,040,554	1,057,165
OPERATING EXPENSES:				
Educational services and facilities	161,529	156,918	330,430	316,080
General and administrative	229,801	256,920	470,660	521,060
Depreciation and amortization	20,507	17,149	40,873	33,827
Goodwill and asset impairment	2,676		2,676	
Total operating expenses	414,513	430,987	844,639	870,967
Operating income	82,680	96,752	195,915	186,198
OTHER INCOME (EXPENSE):				
Interest income	263	252	500	499
Interest expense	(24)	(32)	(50)	(45)
Miscellaneous income (expense)	69	(988)	2,069	(1,265)
Total other income (expense)	308	(768)	2,519	(811)
PRETAX INCOME	82,988	95,984	198,434	185,387
Provision for income taxes	27,228	29,714	69,089	61,971
INCOME FROM CONTINUING OPERATIONS	55,760	66,270	129,345	123,416
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(407)	(1,952)	(957)	(3,876)
NET INCOME	\$ 55,353	\$ 64,318	\$ 128,388	\$ 119,540
NET INCOME (LOSS) PER SHARE BASIC:				
Income from continuing operations	\$ 0.74	\$ 0.84	\$ 1.71	\$ 1.53
Loss from discontinued operations		(0.03)	(0.01)	(0.05)
Net income per share	\$ 0.74	\$ 0.81	\$ 1.70	\$ 1.48
NET INCOME (LOSS) PER SHARE DILUTED:				
Income from continuing operations	\$ 0.74	\$ 0.82	\$ 1.70	\$ 1.51
Loss from discontinued operations	(0.01)	(0.02)	(0.01)	(0.05)
Net income per share	\$ 0.73	\$ 0.80	\$ 1.69	\$ 1.46