

CAREER EDUCATION CORP
Form 10-Q
November 08, 2012
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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 SEPTEMBER 30, 2012

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)

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 Exchange Act. Yes No

Number of shares of registrant's common stock, par value \$0.01, outstanding as of October 31, 2012: 67,103,846

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(In thousands, except share and per share amounts)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 242,828	\$ 280,592
Short-term investments	130,495	160,607
Total cash and cash equivalents and short-term investments	373,323	441,199
Student receivables, net of allowance for doubtful accounts of \$35,180 and \$43,891 as of September 30, 2012 and December 31, 2011, respectively	65,021	60,573
Student receivables held for sale	1,019	
Receivables, other, net	1,672	2,914
Prepaid expenses	75,183	62,399
Inventories	9,157	11,356
Deferred income tax assets, net	10,940	10,940
Other current assets	5,214	17,769
Assets of discontinued operations	3,441	3,328
Total current assets	544,970	610,478
NON-CURRENT ASSETS:		
Property and equipment, net	317,484	349,788
Goodwill	131,862	212,626
Intangible assets, net	74,032	77,186
Student receivables, net of allowance for doubtful accounts of \$14,291 and \$21,062 as of September 30, 2012 and December 31, 2011, respectively	8,016	9,297
Deferred income tax assets, net	9,452	9,522
Other assets, net	42,293	30,122
Assets of discontinued operations	16,920	17,101
TOTAL ASSETS	\$ 1,145,029	\$ 1,316,120
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of capital lease obligations	\$ 306	\$ 844
Accounts payable	53,237	48,408
Accrued expenses:		
Payroll and related benefits	39,359	41,853
Advertising and production costs	20,993	17,717
Other	48,542	67,271
Deferred tuition revenue	135,483	144,947
Liabilities of discontinued operations	12,843	8,403
Total current liabilities	310,763	329,443
NON-CURRENT LIABILITIES:		
Capital lease obligations, net of current maturities		207
Deferred rent obligations	97,766	102,079
Other liabilities	35,894	40,365
Liabilities of discontinued operations	28,842	37,935

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Total non-current liabilities	162,502	180,586
SHARE-BASED AWARDS SUBJECT TO REDEMPTION	99	110
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; 81,563,011 and 81,966,793 shares issued, 67,016,636 and 73,621,548 shares outstanding as of September 30, 2012 and December 31, 2011, respectively	816	820
Additional paid-in capital	599,534	590,965
Accumulated other comprehensive loss	(9,015)	(5,136)
Retained earnings	294,315	375,607
Cost of 14,546,375 and 8,345,245 shares in treasury as of September 30, 2012 and December 31, 2011, respectively	(213,985)	(156,275)
Total stockholders equity	671,665	805,981
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,145,029	\$ 1,316,120

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

Table of Contents**CAREER EDUCATION CORPORATION AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

(In thousands, except per share amounts)

	For the Quarters Ended September 30,		For the Years to Date Ended September 30,	
	2012	2011	2012	2011
REVENUE:				
Tuition and registration fees	\$ 326,464	\$ 417,420	\$ 1,112,950	\$ 1,396,557
Other	6,293	10,991	22,910	48,432
Total revenue	332,757	428,411	1,135,860	1,444,989
OPERATING EXPENSES:				
Educational services and facilities	133,206	152,727	431,739	476,370
General and administrative	227,369	233,647	667,618	695,313
Depreciation and amortization	20,429	22,156	60,555	62,563
Goodwill and asset impairment			85,661	2,676
Total operating expenses	381,004	408,530	1,245,573	1,236,922
Operating (loss) income	(48,247)	19,881	(109,713)	208,067
OTHER INCOME (EXPENSE):				
Interest income	686	263	1,426	749
Interest expense	(22)	(44)	(87)	(120)
Miscellaneous income	77	183		1,968
Total other income	741	402	1,339	2,597
PRETAX (LOSS) INCOME	(47,506)	20,283	(108,374)	210,664
(Benefit from) provision for income taxes	(16,675)	6,215	(30,109)	72,582
(LOSS) INCOME FROM CONTINUING OPERATIONS	(30,831)	14,068	(78,265)	138,082
(LOSS) INCOME FROM DISCONTINUED OPERATIONS, net of tax	(2,315)	(3,434)	(3,039)	940
NET (LOSS) INCOME	(33,146)	10,634	(81,304)	139,022
OTHER COMPREHENSIVE INCOME (LOSS), net of tax:				
Foreign currency translation adjustments	743	(11,761)	(3,553)	(269)
Unrealized (losses) gains on investments	(206)	(6)	(326)	40
Total other comprehensive income (loss)	537	(11,767)	(3,879)	(229)
COMPREHENSIVE (LOSS) INCOME	\$ (32,609)	\$ (1,133)	\$ (85,183)	\$ 138,793
NET (LOSS) INCOME PER SHARE BASIC:				
(Loss) income from continuing operations	\$ (0.47)	\$ 0.19	\$ (1.18)	\$ 1.84
(Loss) income from discontinued operations	(0.03)	(0.05)	(0.05)	0.02

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