

CAREER EDUCATION CORP
Form 10-Q
August 09, 2006

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, 2006**

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	36-3932190
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2895 Greenspoint Parkway, Suite 600, Hoffman Estates, Illinois 60169	
(Address of principal executive offices) (Zip Code)	
Registrant's telephone number, including area code: (847) 781-3600	

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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 August 8, 2006: 103,816,531

CAREER EDUCATION CORPORATION

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements**

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 90,589	\$ 132,308
Investments	287,369	272,093
Total cash and cash equivalents and investments	377,958	404,401
Receivables:		
Students, net of allowance for doubtful accounts of \$38,716 and \$44,839 as of June 30, 2006, and December 31, 2005, respectively	52,583	76,447
Other, net	7,922	5,015
Prepaid expenses	48,805	37,412
Inventories	14,979	14,090
Deferred income tax assets	10,122	10,122
Other current assets	18,756	31,067
Total current assets	531,125	578,554
PROPERTY AND EQUIPMENT, net	408,266	411,144
GOODWILL	349,582	443,584
INTANGIBLE ASSETS, net	35,487	35,286
OTHER ASSETS	36,245	37,537
TOTAL ASSETS	\$ 1,360,705	\$ 1,506,105
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 584	\$ 627
Accounts payable	26,335	28,627
Accrued expenses:		
Payroll and related benefits	31,551	39,471
Income taxes	84,884	82,513
Other	131,936	152,007
Deferred tuition revenue	275,290	326,754
Total current liabilities	275,290	326,754
LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities	17,499	16,358
Deferred rent obligations	96,387	89,680
Deferred income tax liabilities	31,212	31,212
Other	5,828	5,854
Total long-term liabilities	150,926	143,104
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; 103,767,970 and 103,384,741 shares issued, 94,695,778 and 98,112,741 shares outstanding as of June 30, 2006, and December 31, 2005, respectively	1,037	1,033
Additional paid-in capital	609,230	591,287
Accumulated other comprehensive income	1,939	1,989
Retained earnings	647,286	642,096
Cost of 9,122,485 and 5,272,000 shares in treasury as of June 30, 2006, and December 31, 2005, respectively	(325,003)	(200,158)
Total stockholders equity	934,489	1,036,247
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 1,360,705	\$ 1,506,105

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
REVENUE:				
Tuition and registration fees	\$ 468,401	\$ 475,932	\$ 975,078	\$ 960,813
Other	18,384	21,531	40,337	47,086
Total revenue	486,785	497,463	1,015,415	1,007,899
OPERATING EXPENSES:				
Educational services and facilities	156,539	153,451	318,498	309,799
General and administrative	257,144	242,403	513,202	480,393
Depreciation and amortization	21,942	19,833	42,951	37,034
Goodwill impairment charge	84,975		95,364	
Total operating expenses	520,600	415,687	970,015	827,226
Income (loss) from operations	(33,815)	81,776	45,400	180,673
OTHER INCOME (EXPENSE):				
Interest income	4,681	4,280	8,978	5,987
Interest expense	(337)	(420)	(688)	(856)
Share of affiliate earnings	696	1,416	1,599	3,242
Miscellaneous expense	(250)	(200)	(129)	(758)
Total other income	4,790	5,076	9,760	7,615
Income (loss) before provision for income taxes	(29,025)	86,852	55,160	188,288
PROVISION FOR INCOME TAXES	18,484	34,089	49,970	73,903
Income (loss) from continuing operations	(47,509)	52,763	5,190	114,385
DISCONTINUED OPERATIONS:				
Loss from discontinued operations				(5,700)
NET INCOME (LOSS)	\$ (47,509)	\$ 52,763	\$ 5,190	\$ 108,685
NET INCOME (LOSS) PER SHARE BASIC:				
Income (loss) from continuing operations	\$ (0.49)	\$ 0.51	\$ 0.05	\$ 1.11
Loss from discontinued operations				(0.06)
Net income (loss)	\$ (0.49)	\$ 0.51	\$ 0.05	\$ 1.05
NET INCOME (LOSS) PER SHARE DILUTED:				
Income (loss) from continuing operations	\$ (0.49)	\$ 0.50	\$ 0.05	\$ 1.09
Loss from discontinued operations				(0.06)
Net income (loss)	\$ (0.49)	\$ 0.50	\$ 0.05	\$ 1.03
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	96,989	102,789	97,563	102,690
Diluted	96,989	105,200	99,631	105,196

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(In thousands)

	Common Stock		Treasury Stock		Additional	Accumulated	Retained	
	Issued Shares	\$0.01 Par Value	Purchased Shares	Cost	Paid-in Capital	Other Comprehensive Income (Loss)	Earnings	Total
BALANCE, December 31, 2005	103,385	\$ 1,033	(5,272)	\$ (200,158)	\$ 591,287	\$ 1,989	\$ 642,096	\$ 1,036,247
Net income							5,190	5,190
Foreign currency translation						(63)		(63)
Unrealized gain on investments						13		13
Total comprehensive loss								5,140
Treasury stock purchased			(3,850)	(124,845)				