

CAREER EDUCATION CORP  
Form 10-Q  
May 05, 2010  
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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 MARCH 31, 2010**

**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)  
**2895 Greenspoint Parkway, Suite 600,**

**36-3932190**  
(I.R.S. Employer  
Identification No.)

**Hoffman Estates, Illinois**  
(Address of principal executive offices)

**60169**  
(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 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 April 30, 2010: 81,819,798

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	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 215,944	\$ 284,473
Short-term investments	206,225	200,379
Total cash and cash equivalents and short-term investments	422,169	484,852
Student receivables, net of allowance for doubtful accounts of \$39,216 and \$34,963 as of March 31, 2010 and December 31, 2009, respectively	58,080	57,823
Receivables, other, net	4,166	5,256
Prepaid expenses	47,259	41,090
Inventories	11,320	11,271
Deferred income tax assets, net	12,983	12,983
Other current assets	6,667	9,442
Assets of discontinued operations	5,128	6,118
Total current assets	567,772	628,835
<b>NON-CURRENT ASSETS:</b>		
Property and equipment, net	303,684	306,279
Goodwill	374,925	377,515
Intangible assets, net	177,828	178,520
Assets of discontinued operations	23,653	24,401
Student receivables, net of allowance for doubtful accounts of \$25,025 and \$18,394 as of March 31, 2010 and December 31, 2009, respectively	20,485	21,455
Deferred income tax assets, net	3,799	3,659
Other assets, net	23,203	23,178
<b>TOTAL ASSETS</b>	<b>\$ 1,495,349</b>	<b>\$ 1,563,842</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of capital lease obligations	\$ 769	\$ 880
Accounts payable	42,203	51,108
Accrued expenses:		
Payroll and related benefits	53,433	88,439
Advertising and production costs	25,254	21,436
Income taxes	47,090	17,849
Earnout payments	17,109	18,009
Other	60,281	46,182
Deferred tuition revenue	167,677	184,411
Liabilities of discontinued operations	14,677	13,695
Total current liabilities	428,493	442,009

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**NON-CURRENT LIABILITIES:**

Capital lease obligations, net of current maturities	1,523	2,262
Deferred rent obligations	91,439	91,725
Liabilities of discontinued operations	53,667	62,997
Earnout payments	20,198	23,680
Other liabilities	16,389	19,124

Total non-current liabilities 183,216 199,788

**SHARE-BASED AWARDS SUBJECT TO REDEMPTION**

213 521

**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; 96,422,737 and 95,399,192 shares issued, 83,386,394 and 85,785,478 shares outstanding as of March 31, 2010 and December 31, 2009, respectively	964	954
Additional paid-in capital	250,923	244,992
Accumulated other comprehensive income	492	8,408
Retained earnings	944,588	889,057
Cost of 13,036,343 and 9,613,714 shares in treasury as of March 31, 2010 and December 31, 2009, respectively	(313,540)	(221,887)

Total stockholders equity 883,427 921,524

**TOTAL LIABILITIES AND STOCKHOLDERS EQUITY**

\$ 1,495,349 \$ 1,563,842

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 Three Months Ended March 31,	
	2010	2009
<b>REVENUE:</b>		
Tuition and registration fees	\$ 509,753	\$ 415,674
Other	19,929	17,189
Total revenue	529,682	432,863
<b>OPERATING EXPENSES:</b>		
Educational services and facilities	160,297	146,616
General and administrative	264,528	218,897
Depreciation and amortization	16,753	16,101
Total operating expenses	441,578	381,614
Operating income	88,104	51,249
<b>OTHER (EXPENSE) INCOME:</b>		
Interest income	247	1,158
Interest expense	(13)	(10)
Miscellaneous expense	(275)	(37)
Total other (expense) income	(41)	1,111
<b>PRETAX INCOME</b>	88,063	52,360
Provision for income taxes	32,108	18,467
<b>INCOME FROM CONTINUING OPERATIONS</b>	55,955	33,893
<b>LOSS FROM DISCONTINUED OPERATIONS, net of tax</b>	(733)	(10,636)
<b>NET INCOME</b>	\$ 55,222	\$ 23,257
<b>NET INCOME (LOSS) PER SHARE BASIC:</b>		
Income from continuing operations	\$ 0.68	\$ 0.38
Loss from discontinued operations	(0.01)	(0.12)
Net income	\$ 0.67	\$ 0.26
<b>NET INCOME (LOSS) PER SHARE DILUTED:</b>		
Income from continuing operations	\$ 0.67	\$ 0.38
Loss from discontinued operations	(0.01)	(0.12)
Net income	\$ 0.66	\$ 0.26
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>		

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Basic	82,298	90,090
Diluted	83,116	90,162

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 CASH FLOWS**

(In thousands)

	For the Three Months Ended March 31,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 55,222	\$ 23,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	16,753	16,802
Bad debt expense	26,217	9,943
Compensation expense related to share-based awards	4,995	3,157
Loss on disposition of property and equipment	337	295
Changes in operating assets and liabilities	(50,056)	(4,755)
Net cash provided by operating activities	53,468	48,699
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of available-for-sale investments	(117,628)	(225,622)
Sales of available-for-sale investments	111,782	149,009
Purchases of property and equipment	(19,757)	(14,898)
Earnout payments	(4,382)	
Other	(309)	(266)
Net cash used in investing activities	(30,294)	(91,777)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Purchase of treasury stock	(89,637)	(40,184)
Issuance of common stock	883	520
Tax benefit associated with stock option exercises	64	21
Payments of capital lease obligations	(749)	(141)
Net cash used in financing activities	(89,439)	(39,784)
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATE</b>		