

LINCOLN EDUCATIONAL SERVICES CORP
Form 10-Q
November 07, 2012

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 000-51371

LINCOLN EDUCATIONAL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of incorporation or organization)

57-1150621
(IRS Employer Identification No.)

200 Executive Drive, Suite 340
West Orange, NJ
(Address of principal executive offices)

07052
(Zip Code)

(973) 736-9340

(Registrant's telephone number, including area code)

No change

(Former name, former address and former fiscal year, if changed since last report)

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 (Do not check if a smaller reporting company)

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

As of November 5, 2012, there were 22,780,987 shares of the registrant’s common stock outstanding.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except share amounts)
 (Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,429	\$ 26,524
Accounts receivable, less allowance of \$18,156 and \$20,194 at September 30, 2012 and December 31, 2011, respectively	19,574	19,696
Inventories	3,099	3,051
Prepaid income taxes and income taxes receivable	19,966	11,743
Deferred income taxes, net	8,101	8,725
Prepaid expenses and other current assets	2,322	2,919
Total current assets	73,491	72,658
PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of \$137,172 and \$122,274 at September 30, 2012 and December 31, 2011, respectively	158,492	180,014
OTHER ASSETS:		
Noncurrent receivables, less allowance of \$1,622 and \$1,664 at September 30, 2012 and December 31, 2011, respectively	5,431	5,572
Deferred finance charges	842	329
Deferred income taxes, net	7,153	1,877
Goodwill	83,856	97,371
Other assets, net	4,663	4,430
Total other assets	101,945	109,579
TOTAL	\$ 333,928	\$ 362,251

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

(Continued)

	September 30, 2012	December 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and lease obligations	\$ 409	\$ 481
Unearned tuition	41,120	43,242
Accounts payable	14,027	15,468
Accrued expenses	14,750	11,296
Other short-term liabilities	244	631
Total current liabilities	70,550	71,118
NONCURRENT LIABILITIES:		
Long-term debt and lease obligations, net of current portion	35,725	36,027
Pension plan liabilities	6,755	6,594
Accrued rent	8,707	8,365
Other long-term liabilities	1,080	1,122
Total liabilities	122,817	123,226
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at September 30, 2012 and December 31, 2011	-	-
Common stock, no par value - authorized 100,000,000 shares at September 30, 2012 and December 31, 2011, issued and outstanding 28,714,071 shares at September 30, 2012 and 28,548,274 shares at December 31, 2011	141,377	141,377
Additional paid-in capital	21,650	19,535
Treasury stock at cost - 5,910,541 shares at September 30, 2012 and December 31, 2011, respectively	(82,860)	(82,860)
Retained earnings	137,660	167,689
Accumulated other comprehensive loss	(6,716)	(6,716)
Total stockholders' equity	211,111	239,025
TOTAL	\$ 333,928	\$ 362,251

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUE	\$104,144	\$123,482	\$309,380	\$397,064
COSTS AND EXPENSES:				
Educational services and facilities	51,569	57,419	153,148	171,054
Selling, general and administrative	53,282	60,732	165,486	192,858
Loss (gain) on sale of assets	8	(3)	(32)	5
Impairment of goodwill and long-lived assets	-	10,377	23,683	10,377
School closing costs	1,746	-	1,746	-
Total costs & expenses	106,605	128,525	344,031	374,294
OPERATING (LOSS) INCOME	(2,461)	(5,043)	(34,651)	22,770
OTHER:				
Interest income	-	2	2	8
Interest expense	(1,051)	(1,091)	(3,412)	(3,277)
Other income	3	4	14	17
(LOSS) INCOME BEFORE INCOME TAXES	(3,509)	(6,128)	(38,047)	19,518
(BENEFIT) PROVISION FOR INCOME TAXES	(2,025)	(2,202)	(12,800)	8,158
NET (LOSS) INCOME	\$(1,484)	\$(3,926)	\$(25,247)	\$11,360
Basic				
Net (loss) income per share	\$(0.07)	\$(0.18)	\$(1.14)	\$0.52
Diluted				
Net (loss) income per share	\$(0.07)	\$(0.18)	\$(1.14)	\$0.51
Weighted average number of common shares outstanding:				
Basic	22,195	22,045	22,172	21,996
Diluted	22,195	22,045	22,172	22,153

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
 (In thousands)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net (loss) income	\$(1,484)	\$(3,926)	\$(25,247)	\$11,360
Other comprehensive (loss) income				
Employee pension plan adjustments, net of taxes	-	-	-	-
Comprehensive (loss) income	\$(1,484)	\$(3,926)	\$(25,247)	\$11,360

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 (In thousands, except share amounts)
 (Unaudited)

	Common Stock		Additional	Treasury	Retained	Accumulated	Total
	Shares	Amount	Paid-in Capital	Stock	Earnings	Other Comprehensive Loss	
BALANCE - January 1, 2012	28,548,274	\$ 141,377	\$ 19,535	\$(82,860)	\$ 167,689	\$ (6,716)	\$ 239,025
Net loss	-	-	-	-	(25,247)	-	(25,247)
Stock-based compensation expense							
Restricted stock	190,285	-	2,342	-	-	-	2,342
Stock options	-	-	267	-	-	-	267
Tax deficiency of stock-based awards and cancels	-	-	(282)	-	-	-	(282)
Net share settlement for equity-based compensation	(24,488)	-	(212)	-	-	-	(212)
Cash dividend of \$0.21 per common share	-	-	-	-	(4,782)		