

SCHOLASTIC CORP  
Form 10-Q  
April 02, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 28, 2010

Commission File No. 000-19860

**SCHOLASTIC CORPORATION**  
(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-3385513**  
(IRS Employer Identification No.)

**557 Broadway, New York, New York**  
(Address of principal executive offices)

**10012**  
(Zip Code)

Registrant's telephone number, including area code (212) 343-6100

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 (229.405 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

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Title of each class	Number of shares outstanding as of February 28, 2010
Common Stock, \$.01 par value	34,925,062
Class A Stock, \$.01 par value	1,656,200

SCHOLASTIC CORPORATION  
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2010  
INDEX

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	<u>Page</u>
<b><u>Part I - Financial Information</u></b>	
<b><u>Item 1.</u></b>	<b><u>Financial Statements</u></b>
	<u>Condensed Consolidated Statements of Operations (Unaudited)</u> 1
	<u>Condensed Consolidated Balance Sheets (Unaudited)</u> 2
	<u>Consolidated Statements of Cash Flows (Unaudited)</u> 3
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> 5
<b><u>Item 2.</u></b>	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b> 21
<b><u>Item 3.</u></b>	<b><u>Quantitative and Qualitative Disclosures about Market Risk</u></b> 30
<b><u>Item 4.</u></b>	<b><u>Controls and Procedures</u></b> 31
<b><u>Part II Other Information</u></b>	
<b><u>Item 2.</u></b>	<b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b> 32
<b><u>Item 6.</u></b>	<b><u>Exhibits</u></b> 33
<b><u>Signatures</u></b>	

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## SCHOLASTIC CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

*(Dollar amounts in millions, except per share data)*

	<i>Three months ended February 28,</i>		<i>Nine months ended February 28,</i>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>	<b>\$ 398.8</b>	<b>\$ 423.6</b>	<b>\$ 1,374.5</b>	<b>\$ 1,353.3</b>
Operating costs and expenses:				
Cost of goods sold	192.7	214.6	621.0	644.4
Selling, general and administrative expenses	187.9	191.5	583.5	592.3
Bad debt expense	2.9	2.3	9.4	10.6
Depreciation and amortization	14.2	14.5	43.7	45.2
Asset impairments		17.0	40.1	17.0
Severance	1.9	6.0	7.3	20.4
Total operating costs and expenses	399.6	445.9	1,305.0	1,329.9
<b>Operating (loss) income</b>	<b>(0.8)</b>	<b>(22.3)</b>	<b>69.5</b>	<b>23.4</b>
Other income		0.3	0.9	0.3
Interest expense, net	4.0	5.7	12.2	18.6
Loss on investments	1.5	13.5	1.5	13.5
<b>(Loss) earnings from continuing operations before income taxes</b>	<b>(6.3)</b>	<b>(41.2)</b>	<b>56.7</b>	<b>(8.4)</b>
(Benefit) provision for income taxes	(1.7)	(6.7)	29.1	10.5
<b>(Loss) earnings from continuing operations</b>	<b>(4.6)</b>	<b>(34.5)</b>	<b>27.6</b>	<b>(18.9)</b>
<b>Loss from discontinued operations, net of tax</b>	<b>(1.0)</b>	<b>(1.5)</b>	<b>(0.7)</b>	<b>(23.1)</b>
<b>Net (loss) income</b>	<b>\$ (5.6)</b>	<b>\$ (36.0)</b>	<b>\$ 26.9</b>	<b>\$ (42.0)</b>
<b>Basic and diluted (loss) earnings per Share of Class A and Common Stock</b>				
Basic:				
(Loss) earnings from continuing operations	\$ (0.12)	\$ (0.93)	\$ 0.76	\$ (0.50)
Loss from discontinued operations, net of tax	\$ (0.03)	\$ (0.05)	\$ (0.02)	\$ (0.62)
Net (loss) earnings	\$ (0.15)	\$ (0.98)	\$ 0.74	\$ (1.12)
Diluted:				
(Loss) earnings from continuing operations	\$ (0.12)	\$ (0.93)	\$ 0.75	\$ (0.50)
Loss from discontinued operations net of tax	\$ (0.03)	\$ (0.05)	\$ (0.02)	\$ (0.62)
Net (loss) earnings	\$ (0.15)	\$ (0.98)	\$ 0.73	\$ (1.12)

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<b>Dividends declared per share</b>	\$ 0.075	\$ 0.075	\$ 0.225	\$ 0.225
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*See accompanying notes*

**SCHOLASTIC CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED**

(Dollar amounts in millions, except per share data)

	February 28, 2010	May 31, 2009	February 28, 2009
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 238.9	\$ 143.6	\$ 36.2
Accounts receivable, net	185.7	197.4	195.5
Inventories, net	374.6	344.8	412.3
Deferred income taxes	65.4	62.7	130.7
Prepaid expenses and other current assets	45.2	40.3	66.9
Current assets of discontinued operations	23.8	31.0	44.6
<i>Total current assets</i>	933.6	819.8	886.2
Property, plant and equipment, net	301.2	315.4	316.2
Prepublication costs	109.4	121.5	116.6
Royalty advances, net	40.0	41.5	44.9
Production costs	7.0	6.0	5.9
Goodwill	157.0	157.0	141.0
Other intangibles	18.5	46.8	46.9
Other assets and deferred charges	96.1	100.8	96.4
<b>Total assets</b>	<b>\$ 1,662.8</b>	<b>\$ 1,608.8</b>	<b>\$ 1,654.1</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<i>Current Liabilities:</i>			
Lines of credit, short-term debt and current portion of long-term debt	\$ 52.2	\$ 53.7	\$ 52.6
Capital lease obligations	1.6	3.4	3.5
Accounts payable	126.1	128.2	131.7
Accrued royalties	60.6	41.7	60.2
Deferred revenue	59.0	34.2	48.8
Other accrued expenses	166.7	138.9	147.0
Current liabilities of discontinued operations	2.6	7.3	16.7
<i>Total current liabilities</i>	468.8	407.4	460.5
<i>Noncurrent Liabilities:</i>			
Long-term debt	213.1	250.0	262.7
Capital lease obligations	54.7	54.5	55.0
Other noncurrent liabilities	101.2	111.9	110.6
<i>Total noncurrent liabilities</i>	369.0	416.4	428.3
<i>Commitments and Contingencies:</i>			
<i>Stockholders Equity:</i>			

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Preferred Stock, \$1.00 par value			
Class A Stock, \$.01 par value	0.0	0.0	0.0
Common Stock, \$.01 par value	0.4	0.4	0.4
Additional paid-in capital	566.3	552.9	550.7
Accumulated other comprehensive loss	(70.5)	(77.1)	(71.9)