

LINCOLN EDUCATIONAL SERVICES CORP
Form 10-Q
August 06, 2010

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, 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 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 August 4, 2010, there were 26,086,813 shares of the registrant’s common stock outstanding.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

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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)

	June 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$28,190	\$ 46,076
Restricted cash	369	858
Accounts receivable, less allowance of \$23,896 and \$25,293 at June 30, 2010 and December 31, 2009, respectively	33,738	36,614
Inventories	3,821	3,329
Deferred income taxes, net	10,590	10,877
Prepaid income taxes	10,122	-
Prepaid expenses and other current assets	6,547	8,207
Total current assets	93,377	105,961
PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of \$105,616 and \$97,590 at June 30, 2010 and December 31, 2009, respectively		
	163,527	149,310
OTHER ASSETS:		
Noncurrent receivables, less allowance of \$1,440 and \$1,566 at June 30, 2010 and December 31, 2009, respectively	5,919	6,264
Deferred finance charges, net	1,167	1,346
Deferred income taxes, net	4,468	4,236
Goodwill	112,953	112,953
Other assets, net	7,849	8,298
Total other assets	132,356	133,097
TOTAL	\$389,260	\$ 388,368

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)

	June 30, 2010	December 31, 2009
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and lease obligations	\$386	\$ 383
Unearned tuition	47,096	48,087
Accounts payable	19,909	19,649
Accrued expenses	23,921	26,966
Advanced payments from federal funds	122	667
Income taxes payable	-	5,358
Other short-term liabilities	557	357
Total current liabilities	91,991	101,467
NONCURRENT LIABILITIES:		
Long-term debt and lease obligations, net of current portion	36,747	56,945
Pension plan liabilities, net	3,485	3,192
Accrued rent	6,870	6,282
Other long-term liabilities	1,619	1,846
Total liabilities	140,712	169,732
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at June 30, 2010 and December 31, 2009	-	-
Common stock, no par value - authorized 100,000,000 shares at June 30, 2010 and December 31, 2009, issued and outstanding 28,097,276 shares at June 30, 2010 and 27,722,471 shares at December 31, 2009	140,480	137,689
Additional paid-in capital	16,775	14,161
Treasury stock at cost - 2,015,796 shares at June 30, 2010 and 1,865,000 shares at December 31, 2009	(35,920)	(32,771)
Retained earnings	132,114	104,458
Accumulated other comprehensive loss	(4,901)	(4,901)
Total stockholders' equity	248,548	218,636
TOTAL	\$389,260	\$ 388,368

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
REVENUE	\$152,795	\$128,110	\$305,261	\$246,709
COSTS AND EXPENSES:				
Educational services and facilities	58,118	51,120	116,987	99,418
Selling, general and administrative	71,705	63,573	139,978	123,187
Gain on sale of assets	(11)	(12)	(7)	(14)
Total costs & expenses	129,812	114,681	256,958	222,591
OPERATING INCOME	22,983	13,429	48,303	24,118
OTHER:				
Interest income	19	7	21	9
Interest expense	(1,101)	(1,098)	(2,296)	(2,103)
Other income	48	8	48	17
INCOME BEFORE INCOME TAXES	21,949	12,346	46,076	22,041
PROVISION FOR INCOME TAXES	8,754	4,920	18,420	8,791
NET INCOME	\$13,195	\$7,426	\$27,656	\$13,250
Basic				
Net income per share	\$0.51	\$0.28	\$1.08	\$0.51
Diluted				
Net income per share	\$0.50	\$0.27	\$1.05	\$0.49
Weighted average number of common shares outstanding:				
Basic	25,780	26,477	25,670	26,093
Diluted	26,439	27,217	26,387	26,834

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 Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive	Total
	Shares	Amount				Loss	
BALANCE - January 1, 2010	27,722,471	\$ 137,689	\$ 14,161	\$ (32,771)	\$ 104,458	\$ (4,901)	\$ 218,636
Net income	-	-	-	-	27,656	-	27,656
Stock-based compensation expense							
Restricted stock	17,624	-	975	-	-	-	975
Stock options	-	-	272	-	-	-	272
Purchase of treasury stock	-	-	-	(3,149)	-	-	(3,149)
Tax benefit of options exercised	-	-	1,495	-	-	-	1,495
Net share settlement for equity-based compensation	(5,641)	-	(128)	-	-	-	(128)
Exercise of stock options	362,822	2,791	-	-	-	-	2,791
BALANCE - June 30, 2010	28,097,276	\$ 140,480	\$ 16,775	\$ (35,920)	\$ 132,114	\$ (4,901)	\$ 248,548

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$27,656	\$13,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,220	11,374
Amortization of deferred finance charges	179	99
Deferred income taxes	55	(1,643)
Gain on disposition of assets	(7)	(14)
Provision for doubtful accounts		