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SCHOLASTIC CORP
Form 10-Q
October 05, 2011

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 August 31, 2011

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 September 30, 2011
Common Stock, \$.01 par value	29,557,830
Class A Stock, \$.01 par value	1,656,200

SCHOLASTIC CORPORATION
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED AUGUST 31, 2011
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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)

	Three months ended August 31,	
	2011	2010
Revenues	\$ 318.0	\$ 290.4
Operating costs and expenses:		
Cost of goods sold (exclusive of depreciation and amortization)	160.4	147.3
Selling, general and administrative expenses (exclusive of depreciation and amortization)	171.0	170.0
Bad debt expense	1.4	2.9
Depreciation and amortization	15.1	14.4
Severance	3.3	2.1
Total operating costs and expenses	351.2	336.7
Operating loss	(33.2)	(46.3)
Interest expense, net	(3.9)	(3.8)
Loss from continuing operations before income taxes	(37.1)	(50.1)
Benefit from income taxes	(12.0)	(16.2)
Loss from continuing operations	(25.1)	(33.9)
Loss from discontinued operations, net of tax	(2.0)	(1.3)
Net loss	\$ (27.1)	\$ (35.2)
Basic and diluted loss per Share of Class A and Common Stock		
Basic:		
Loss from continuing operations	\$ (0.81)	\$ (0.94)
Loss from discontinued operations, net of tax	\$ (0.06)	\$ (0.04)
Net loss	\$ (0.87)	\$ (0.98)
Diluted:		
Loss from continuing operations	\$ (0.81)	\$ (0.94)
Loss from discontinued operations, net of tax	\$ (0.06)	\$ (0.04)
Net loss	\$ (0.87)	\$ (0.98)
Dividends declared per common share	\$ 0.100	\$ 0.075

See accompanying notes

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

(Dollar amounts in millions, except per share data)

	August 31, 2011	May 31, 2011	August 31, 2010
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 33.7	\$ 105.3	\$ 124.2
Accounts receivable, net	217.1	220.3	212.4
Inventories, net	422.8	308.7	429.8
Deferred income taxes	56.2	56.2	59.7
Prepaid expenses and other current assets	100.3	57.1	80.8
Current assets of discontinued operations	9.6	10.5	18.4
Total current assets	839.7	758.1	925.3
Property, plant and equipment, net	331.3	339.0	321.0
Prepublication costs	116.9	117.7	109.1
Royalty advances, net	34.6	35.5	37.9
Production costs	7.5	7.4	7.2
Goodwill	154.2	154.2	156.6
Other intangibles	19.4	19.8	15.4
Noncurrent deferred income taxes	20.2	20.2	33.0
Other assets and deferred charges	35.3	35.1	37.8
Total assets	\$ 1,559.1	\$ 1,487.0	\$ 1,643.3

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities:

Lines of credit, short-term debt and current portion of long-term debt	\$ 47.4	\$ 43.5	\$ 50.5
Capital lease obligations	0.5	0.5	0.9
Accounts payable	181.2	120.1	177.0
Accrued royalties	52.7	35.4	56.3
Deferred revenue	75.9	49.1	59.8
Other accrued expenses	169.7	173.3	138.9
Current liabilities of discontinued operations	1.2	0.8	3.9
Total current liabilities	528.6	422.7	487.3

Noncurrent Liabilities:

Long-term debt	152.6	159.9	191.8
Capital lease obligations	55.3	55.0	55.1
Other noncurrent liabilities	107.5	109.4	116.8
Total noncurrent liabilities	315.4	324.3	363.7

Commitments and Contingencies:

Stockholders Equity:

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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	578.2	576.6	574.5
Accumulated other comprehensive loss	(52.1)	(53.9)	(81.6)
Retained earnings	605.6	635.8	569.9
Treasury stock at cost	(417.0)	(418.9)	(270.9)
<hr/>			
Total stockholders equity	715.1	740.0	792.3
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Total liabilities and stockholders equity	\$ 1,559.1	\$ 1,487.0	\$ 1,643.3
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See accompanying notes

SCHOLASTIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS **UNAUDITED**
(Dollar amounts in millions, except per share data)

	Three months ended August 31,	
	2011	2010
Cash flows (used in) provided by operating activities:		
Net loss	\$ (27.1)	\$ (35.2)
Loss from discontinued operations, net of tax	(2.0)	(1.3)
Loss from continuing operations	(25.1)	(33.9)
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities of continuing operations:		
Provision for losses on accounts receivable	1.4	2.9
Provision for losses on inventory	5.9	6.3
Provision for losses on royalty advances	1.2	1.4
Amortization of prepublication and production costs	11.9	12.1
Depreciation and amortization	15.1	14.4
Deferred income taxes		1.0
Stock-based compensation	2.2	5.3
Changes in assets and liabilities:		
Accounts receivable	2.0	(1.0)
Inventories	(121.3)	(120.2)
Prepaid and other current assets	(24.3)	(22.2)
Deferred promotion costs	(4.3)	(6.0)
Royalty advances	(0.3)	(1.1)
Accounts payable	60.7	75.1
Other accrued expenses	(18.3)	(33.3)
Accrued royalties	17.3	13.8
Deferred revenue	26.8	19.9
Pension and post-retirement liability	(0.7)	(2.9)
Other noncurrent liability	(0.4)	
Other, net	0.6	1.0
Total adjustments	(24.5)	(33.5)
Net cash used in operating activities of continuing operations	(49.6)	(67.4)
Net cash provided by (used in) operating activities of discontinued operations	0.3	(5.7)
Net cash used in operating activities	(49.3)	(73.1)
Cash flows used in investing activities:		
Prepublication and production expenditures	(11.5)	(10.8)
Additions to property, plant and equipment	(7.2)	(13.0)
Acquisition related payments		(1.0)
Net cash used in investing activities of continuing operations	(18.7)	(24.8)

See accompanying notes

SCHOLASTIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED
(Dollar amounts in millions, except per share data)
