

SCHOLASTIC CORP
Form 10-Q
October 09, 2007

**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, 2007

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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.

<u>Title of each class</u>	<u>Number of shares outstanding as of September 28, 2007</u>
Common Stock, \$.01 par value	36,778,625
Class A Stock, \$.01 par value	1,656,200

SCHOLASTIC CORPORATION
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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 August 31,</i>	
	2007	2006
Revenues	\$ 586.9	\$ 334.9
Operating costs and expenses:		
Cost of goods sold	324.5	171.8
Selling, general and administrative expenses	222.7	196.6
Bad debt expense	17.8	15.7
Depreciation and amortization	16.7	16.9
Total operating costs and expenses	581.7	401.0
Operating income (loss)	5.2	(66.1)
Interest expense, net	8.4	7.4
Loss before income taxes	(3.2)	(73.5)
Benefit from income taxes	0.4	26.6
Net loss	\$ (2.8)	\$ (46.9)
Basic and diluted loss per Share of Class A and Common Stock	\$ (0.07)	\$ (1.12)

See accompanying notes

SCHOLASTIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in millions, except per share data)

	August 31, 2007	May 31, 2007	August 31, 2006
	(Unaudited)		(Unaudited)
ASSETS			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 42.7	\$ 22.8	\$ 19.7
Accounts receivable, net	479.0	281.6	249.8
Inventories	531.2	422.9	548.0
Deferred promotion costs	56.2	50.1	57.0
Deferred income taxes	94.4	71.5	100.7
Prepaid expenses and other current assets	71.4	55.8	66.6
<i>Total current assets</i>	1,274.9	904.7	1,041.8
Property, plant and equipment, net	378.6	383.3	387.7
Prepublication costs	111.4	112.7	111.7
Installment receivables, net	13.2	13.1	10.8
Royalty advances	49.9	51.3	46.7
Production costs	4.5	4.3	5.1
Goodwill	264.9	265.9	253.5
Other intangibles	78.4	78.5	78.3
Other assets and deferred charges	65.1	63.9	69.4
Total assets	\$ 2,240.9	\$ 1,877.7	\$ 2,005.0
LIABILITIES AND STOCKHOLDERS EQUITY			
<i>Current Liabilities:</i>			
Lines of credit, short-term debt and current portion of long-term debt	\$ 73.1	\$ 66.2	\$ 301.5
Capital lease obligations	5.4	5.5	6.7
Accounts payable	176.3	135.4	164.3
Accrued royalties	150.6	39.2	47.7
Deferred revenue	42.3	24.2	33.6
Other accrued expenses	159.8	143.6	136.0
<i>Total current liabilities</i>	607.5	414.1	689.8
<i>Noncurrent Liabilities:</i>			
Long-term debt	516.4	173.4	174.3
Capital lease obligations	59.3	59.8	61.0
Other noncurrent liabilities	132.2	101.4	80.0
<i>Total noncurrent liabilities</i>	707.9	334.6	315.3
<i>Commitments and Contingencies</i>			
<i>Stockholders Equity:</i>			
Preferred Stock, \$1.00 par value			
Class A Stock, \$.01 par value	0.0	0.0	0.0

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Common Stock, \$.01 par value	0.4	0.4	0.4
Additional paid-in capital	500.9	490.3	461.6
Accumulated other comprehensive loss	(39.4)	(34.5)	(27.1)
Retained earnings	663.6	672.8	565.0
Treasury stock at cost	(200.0)		
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<i>Total stockholders equity</i>	925.5	1,129.0	999.9
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Total liabilities and stockholders equity	\$ 2,240.9	\$ 1,877.7	\$ 2,005.0
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See accompanying notes

SCHOLASTIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS **UNAUDITED**

(Dollar amounts in millions)

	<i>Three months ended August 31,</i>	
	2007	2006
Cash flows used in operating activities:		
Net loss	\$ (2.8)	\$ (46.9)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for losses on accounts receivable and other reserves	29.2	24.3
Amortization of prepublication and production costs	12.9	15.5
Depreciation and amortization	16.7	16.9
Royalty advances expensed	9.7	4.3
Deferred income taxes	(2.5)	(26.9)
Changes in assets and liabilities:		
Accounts receivable	(215.2)	2.7
Inventories	(118.5)	(123.3)
Prepaid expenses and other current assets	(10.6)	(14.2)
Deferred promotion costs	(6.0)	(7.1)
Accounts payable and other accrued expenses	58.6	4.2
Accrued royalties	111.3	11.1
Deferred revenue	19.5	14.2
Other, net	(1.4)	0.1