

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

CAREER EDUCATION CORP

CIK: **1046568** | IRS No.: **363932190** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-23245** | Film No.: **05791233**
SIC: **8200** Educational services

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 2, 2005

Career Education Corporation

(Exact Name of Registrant as Specified in Charter)

Delaware ----- (State or Other Jurisdiction of Incorporation)	0-23245 ----- (Commission File Number)	36-3932190 ----- (IRS Employer Identification No.)
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2895 Greenspoint Parkway, Suite 600, Hoffman Estates, IL ----- (Address of Principal Executive Offices)	60195 ----- (Zip Code)
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Registrant's telephone number, including area code (847) 781-3600

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17

[] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On May 2, 2005, Career Education Corporation (the "Registrant") issued a press release setting forth the Registrant's financial results for the first quarter ended March 31, 2005. A copy of the Registrant's press release is attached hereto as Exhibit 99.1, and the information contained therein is incorporated herein by reference. The information contained in this Form 8-K, including the exhibit, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(a) None.

(b) None.

(c) Exhibits

Exhibit Number -----	Description of Exhibits -----
99.1	Press Release of Registrant dated May 2, 2005 reporting the Registrant's financial results for the first quarter ended March 31, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CAREER EDUCATION CORPORATION

By: /s/ Patrick K. Pesch

Patrick K. Pesch
Executive Vice President, Chief Financial
Officer, Treasurer and Assistant Secretary

Dated: May 2, 2005

Exhibit Index

Exhibit
Number

Description of Exhibits

99.1	Press Release of Registrant dated May 2, 2005 reporting the Registrant's financial results for the first quarter ended March 31, 2005.
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Career Education Corporation Reports Results for 2005 First Quarter;
Quarterly Revenue Increased 29%;
Income from Continuing Operations Increased 60%

HOFFMAN ESTATES, Ill.--(BUSINESS WIRE)--May 2, 2005--Career Education Corporation (Nasdaq:CECO) today reported financial results for the first quarter ended March 31, 2005.

Three Months Ended March 31, 2005

- First quarter 2005 total revenue increased 29% to \$512.3 million, from \$397.4 million for the same period last year. The increase in revenue is primarily attributable to an approximate 21% increase in student population at January 31 and an approximate 8% increase in average revenue per student during the first quarter.
- Income from operations rose 55% to \$98.9 million, from \$63.7 million for the same period last year. Operating income margin rose to 19.3%, up from 16.0% in the same period last year.
- Income from continuing operations was \$61.6 million, or \$0.59 per diluted share, up 60% from the same period last year. Loss from discontinued operations of \$5.7 million, or \$0.05 per diluted share, resulted primarily from the sale of our International Academy of Design and Technology ("IADT") campus in Montreal, Canada. The loss includes approximately \$2.2 million related to the sale of the IADT Montreal campus as well as a write off of goodwill of approximately \$3.5 million for the IADT Montreal and IADT Ottawa campuses.
- Net income was \$55.9 million, or \$0.53 per diluted share, up 45% from last year's first quarter net income of \$38.6 million, or \$0.37 per diluted share. Net income includes a loss from discontinued operations mentioned above of \$5.7 million, or \$0.05 per diluted share. Net income includes approximately \$2.4 million of pre-tax expense for legal and other costs related to the SEC investigation, the investigation being conducted by the special committee of our Board of Directors, and the shareholder securities class action and derivative lawsuits. This expense of \$1.5 million, net of the related tax benefit of \$0.9 million, represented \$0.01 per diluted share.
- Bad debt expense was 3.4% of total revenue for the quarter ended March 31, 2005, compared to 5.0% for the quarter ended March 31, 2004. The decrease in bad debt expense as a percentage of revenue was primarily a result of decreased accounts receivable exposure. Quarterly days sales outstanding ("DSOs") were 13 days at March 31, 2005. This represents a 10-day decrease from the quarterly DSOs of 23 days at March 31, 2004. We calculate DSOs by dividing the sum of net student

receivables and net other receivables by average daily revenue. Average daily revenue is computed by dividing quarterly "total revenue" by the total number of days in the quarter.

- Net student receivables decreased \$16.7 million, from \$86.0 million as of December 31, 2004 to \$69.2 million as of March 31, 2005, and our allowance for doubtful accounts as a percentage of gross student receivables increased from 41.6% as of December 31, 2004, to 42.4% as of March 31, 2005.
- At March 31, 2005, we had cash and cash equivalents of \$432.3 million, up 172% from \$158.7 million on March 31, 2004. Short-term and long-term debt and capital lease obligations as of March 31, 2005, totaled \$21.0 million.
- Goodwill decreased \$4.3 million to \$444.6 million as of March 31, 2005, from \$448.9 million as of December 31, 2004. The change is attributable primarily to a \$3.5 million write off of goodwill related to our IADT Montreal and IADT Ottawa campuses.
- Accrued expenses increased \$15.2 million to \$128.5 million as of March 31, 2005, from \$113.4 million as of December 31, 2004. The increase is due primarily to an increase in our net current income tax liability.
- Net cash provided by operating activities for the first quarter of 2005 was \$111.8 million, compared to \$90.2 million for the same period of 2004. The first quarter cash flow improvement was attributable primarily to the increase in net income from continuing operations.
- Purchases of property and equipment for the quarter was \$25.5 million compared to \$19.8 million for the same period last year.

Population Data

- Start and population data excludes data for our Academy division schools that have been sold or are being taught out, including IADT Montreal, IADT Fairmont, and IADT Ottawa.
- First quarter 2005 new student starts were approximately 32,500.
- Total CEC student population on April 30, 2005 was approximately 96,700, up 12% from approximately 86,700 on April 30, 2004. Total student population of CEC's Online Education Group on April 30, 2005 was approximately 25,500, up 63% from approximately 15,600 students at the same date last year.

Information Concerning Special Committee Investigation

- As previously reported, our Board of Directors formed a special committee to conduct an independent investigation of allegations of securities laws violations against us, including allegations relating

to our accounting practices and reported statistics relating to starts, student population and placement. The special committee has informed us that it intends to make a report of its findings, and any proposed recommendations, to our Board of Directors within one to two weeks.

Business Outlook

Please note that the following is an update from previously issued guidance. While we may make further acquisitions, none are contemplated by these forward-looking statements.

- We expect full year 2005 revenues to be approximately \$2.125 billion and full year 2005 earnings per share to be approximately \$2.29. The \$2.29 earnings per share includes the \$0.05 loss from discontinued operations primarily related to the sale of IADT Montreal. We expect the Online Education Group's full year 2005 revenues, included in the preceding amounts, to be approximately \$650 million.
- We expect full year 2005 operating profit margin improvement to be approximately 150 basis points.
- We expect second quarter 2005 revenues to be approximately \$510 million and second quarter 2005 earnings per share to be approximately \$0.47. We expect diluted weighted average shares outstanding to be approximately 106.0 million for second quarter 2005.
- We expect our 2005 effective income tax rate will be approximately 39.25%.
- We expect that 2005 capital expenditures will be approximately 7.5% of total revenue.

Conference Call Information

- Career Education Corporation will host a conference call today at 5:00 PM (Eastern Time). Interested parties can access the live webcast of the conference call at www.careered.com. Participants can also listen to the conference call by dialing (617) 801-9713 (international) or (800) 299-6183 (domestic) and citing code 84157784. Please log-in or dial-in at least 10 minutes prior to the start time to ensure a connection. After 7:00 PM (Eastern Time) the same day, an archived version of the webcast will be accessible for 90 days at www.careered.com. A replay of the call will also be available for seven days by calling (617) 801-6888 (international) or (888) 286-8010 and citing code 75701279.

Career Education Corporation (www.careered.com) is one of the largest providers of private, for-profit postsecondary education and has a presence in both on-campus and online education. CEC's Colleges, Schools and Universities Group operates over 80 campuses in the U.S., Canada, France, the United Kingdom

and the United Arab Emirates and offers doctoral degree, master's degree, bachelor's degree, associate degree and diploma programs in the career-oriented disciplines of business studies, visual communication and design technologies, health education, information technology, and culinary arts. The Online Education Group operates American InterContinental University Online and Colorado Technical University Online and offers a variety of degrees in information technology, business, visual communication and education. CEC's total student population on April 30, 2005 was approximately 96,700 students.

Except for the historical and present factual information contained herein, the matters set forth in this release, including statements under "Business Outlook" and statements identified by words such as "anticipates," "expects," "projects," "plans," "will," and similar expressions, are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on information currently available to us and involve risks and uncertainties that could cause our actual growth, results, performance and business prospects and opportunities to differ materially from those expressed in, or implied by these statements. These risks and uncertainties, the outcome of which could materially and adversely affect our financial condition and operations, include, but are not limited to: risks related to our ability to comply with, and the impact of changes in, legislation and regulations that affect our ability to participate in student financial aid programs; costs, risks and effects of legal and administrative proceedings and investigations and governmental regulations, including the pending Securities and Exchange Commission and Justice Department investigations and, class action, derivative, Qui Tam, and other lawsuits; cost and potential impact of findings, and recommendations of the special committee of our Board of Directors that as a result of its investigation of allegations of securities laws violations against CEC; risks related to our ability to comply with accrediting agency requirements or obtain accrediting agency approvals; costs and difficulties related to the integration of acquired businesses; future financial and operational results; competition; general economic conditions; risks related to our ability to manage and continue growth; and other risk factors relating to our industry and business, as detailed in our Annual Report on Form 10-K for the year ended December 31, 2004, and from time to time in our other reports filed with the Securities and Exchange Commission. We disclaim any responsibility to update or revise these forward-looking statements.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
 For the Three Months Ended March 31, 2005 and 2004
 (In thousands, except per share data and percentages)

2005	% of Revenue	2004	% of Revenue
-----	-----	-----	-----
(Restated)			

Revenue:				
Tuition and registration fees	\$486,781	95.0%	\$366,903	92.3%
Other	25,555	5.0%	30,462	7.7%
	-----		-----	
Total revenue	512,336	100.0%	397,365	100.0%
	-----		-----	
Operating expenses:				
Educational services and facilities	158,248	30.8%	128,137	32.3%
General and administration	237,990	46.5%	192,790	48.5%
Depreciation and amortization	17,201	3.4%	12,767	3.2%
	-----		-----	
Total operating expenses	413,439	80.7%	333,694	84.0%
	-----		-----	
Income from operations	98,897	19.3%	63,671	16.0%
Other income (expense):				
Interest income	1,707	0.3%	352	0.1%
Interest expense	(436)	-0.1%	(829)	-0.2%
Share of affiliate earnings	1,826	0.4%	1,405	0.4%
Miscellaneous (expense)	(558)	-0.1%	(5)	0.0%
	-----		-----	
Total other income	2,539	0.5%	923	0.3%
	-----		-----	
Income before provision for income taxes	101,436	19.8%	64,594	16.3%
Provision for income taxes	39,814	7.8%	26,000	6.6%
	-----		-----	
Income from continuing operations	61,622	12.0%	38,594	9.7%
Loss from discontinued operations	(5,700)	-1.1%	-	0.0%
	-----		-----	
Net income	\$55,922	10.9%	\$38,594	9.7%
	=====		=====	

Income per share - Diluted

Income from continuing operations	\$0.586	\$0.369
Loss from discontinued operations	(0.054)	-

Net income	----- \$0.532 =====	----- \$0.369 =====
Diluted weighted average shares outstanding	105,195	104,519

=====

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2005	December 31, 2004
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$432,268	\$349,458
Receivables:		
Students, net of allowance for doubtful accounts of \$50,880 and \$61,136 as of March 31, 2005 and December 31, 2004, respectively	69,233	85,982
Other, net	5,552	5,378
Inventories	19,181	17,347
Prepaid expenses	30,942	29,649
Other current assets	3,079	5,980
Deferred income tax assets	18,806	18,806
	-----	-----
Total current assets	579,061	512,600
	-----	-----
Property and equipment, net	358,486	351,140
Goodwill	444,623	448,896
Intangible assets, net	35,683	35,881
Other assets	36,116	38,495
	-----	-----
TOTAL ASSETS	\$1,453,969	\$1,387,012
	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Current maturities of long-term debt	\$2,053	\$2,274
Accounts payable	27,262	38,263
Accrued expenses:		

Payroll and related benefits	32,964	38,193
Income taxes	20,764	4,663
Other	74,815	70,520
Deferred tuition revenue	172,492	166,743
	-----	-----
Total current liabilities	330,350	320,656
	-----	-----
LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities	18,970	21,591
Deferred income tax liabilities	39,938	39,972
Other	22,544	19,962
	-----	-----
Total long-term liabilities	81,452	81,525
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock	-	-
Common stock	1,027	1,025
Additional paid-in capital	574,131	571,192
Accumulated other comprehensive income	2,869	4,396
Retained earnings	464,140	408,218
	-----	-----
Total stockholders' equity	1,042,167	984,831
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,453,969	\$1,387,012
	-----	-----

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2005 and 2004
(In thousands)

	2005	2004
	-----	-----
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$55,922	\$38,594
Adjustments to reconcile net income to income from continuing operations:		
Loss from discontinued operations	5,700	-
	-----	-----
Income from continuing operations	61,622	38,594
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		

Depreciation and amortization	17,201	12,767
Royalty expense related to stock options	118	118
Compensation expense related to stock options	-	13
Amortization of deferred financing costs	73	85
Loss on disposition of property and equipment	430	-
Changes in operating assets and liabilities, net of acquisitions		
Tax benefit associated with option exercises	626	3,083
Other	31,725	35,579
	-----	-----
Net cash provided by operating activities	111,795	90,239
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Business dispositions/acquisitions, net of cash	(908)	35
Acquisition transaction costs	-	(32)
Purchases of property and equipment	(25,537)	(19,759)
Change in investment in affiliate	(612)	(202)
	-----	-----
Net cash used in investing activities	(27,057)	(19,958)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	2,314	3,390
Net (payments of) revolving loans	(1,630)	(75,000)
Payments of capital lease obligations and other long-term debt	(708)	(859)
	-----	-----
Net cash used in financing activities	(24)	(72,469)
	-----	-----
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(1,904)	(331)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,810	(2,519)
CASH AND CASH EQUIVALENTS, beginning of period	349,458	161,235
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$432,268	\$158,716
	=====	=====

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
 UNAUDITED SELECTED SEGMENT INFORMATION
 For the Three Months Ended March 31, 2005 and 2004
 (Dollars in thousands)

	2005	2004
	-----	-----
Revenue		
CSU (1)	\$355,066	\$321,599
OEG (2)	157,270	75,766
	-----	-----
	\$512,336	\$397,365
	=====	=====
Segment profit		
CSU	\$50,090	\$41,790
OEG	68,639	35,544
Corporate and other	(18,006)	(12,258)
	-----	-----
	\$100,723	\$65,076
	=====	=====
Segment profit percentage		
CSU	14.1%	13.0%
OEG	43.6%	46.9%

- (1) The Colleges, Schools, and Universities ("CSU") segment represents an aggregation of our campus-based operating divisions.
- (2) The Online Education Group ("OEG") segment represents an aggregation of our online operating divisions.
- (3) Segment profit equals the sum of income from operations and share of affiliate earnings.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
 UNAUDITED RESTATED QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

2004			
-----	-----	-----	-----
1Q	2Q	3Q	4Q
-----	-----	-----	-----

Revenue:				
Tuition and registration fees	\$366,903	\$375,627	\$404,083	\$461,837
Other	30,462	28,435	31,951	29,234
	-----	-----	-----	-----
Total revenue	397,365	404,062	436,034	491,071
	-----	-----	-----	-----
Operating expenses:				
Educational services and facilities	128,137	136,932	145,433	146,642
General and administration	192,790	193,617	206,374	229,577
Depreciation and amortization	12,767	13,220	14,855	16,627
	-----	-----	-----	-----
Total operating expenses	333,694	343,769	366,662	392,846
	-----	-----	-----	-----
Income from operations	63,671	60,293	69,372	98,225
Other income (expense):				
Interest income	352	538	651	1,411
Interest expense	(829)	(713)	(525)	(735)
Share of affiliate earnings	1,405	1,185	209	1,449
Miscellaneous (expense)	(5)	(10)	(181)	(94)
	-----	-----	-----	-----
Total other income	923	1,000	154	2,031
	-----	-----	-----	-----
Income before provision for income taxes	64,594	61,293	69,526	100,256
Provision for income taxes	26,000	24,670	27,985	37,395
	-----	-----	-----	-----
Net Income	\$38,594	\$36,623	\$41,541	\$62,861
	=====	=====	=====	=====
=====				
Income per share - Diluted	\$0.37	\$0.35	\$0.40	\$0.60
Diluted weighted average shares outstanding	104,519	105,484	104,893	104,946

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
UNAUDITED RESTATED QUARTERLY CONSOLIDATED STATEMENTS OF INCOME
(continued)

2003

	1Q	2Q	3Q	4Q
Revenue:				
Tuition and registration fees	\$220,662	\$232,208	\$285,541	\$340,159
Other	21,542	21,458	28,121	28,296
Total revenue	242,204	253,666	313,662	368,455
Operating expenses:				
Educational services and facilities	92,055	91,969	112,511	116,980
General and administration	114,160	121,680	146,094	153,364
Depreciation and amortization	9,185	9,843	11,736	13,144
Total operating expenses	215,400	223,492	270,341	283,488
Income from operations	26,804	30,174	43,321	84,967
Other income (expense):				
Interest income	549	288	37	130
Interest expense	(342)	(609)	(423)	(471)
Share of affiliate earnings	1,166	905	96	1,187
Miscellaneous (expense)	884	(140)	256	334
Total other income	2,257	444	(34)	1,180
Income before provision for income taxes	29,061	30,618	43,287	86,147
Provision for income taxes	11,837	12,450	17,572	34,450
Net Income	\$17,224	\$18,168	\$25,715	\$51,697
=====				
Income per share - Diluted	\$0.18	\$0.19	\$0.25	\$0.50
Diluted weighted average				

shares outstanding

96,142

97,633

103,713

104,288

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
SELECTED QUARTERLY OEG SEGMENT DATA

	AIU Online				CTU Online			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	Revenue earning days							
2005	82	84	79	70	77	77	77	72
2004	81	84	78	72	77	77	77	77

	AIU Online				CTU Online			
	2005		2004		2005		2004	
	Start	Grad	Start	Grad	Start	Grad	Start	Grad
January	1/2	-	1/4	-	1/2	-	1/4	-
February	2/13	2/5	2/8	2/7	2/9	2/8	2/11	-
March	3/20	3/19	3/21	3/13	-	3/19	-	-
Total 1Q dates	3	2	3	2	2	2	2	-
April	-	4/23	4/25	4/24	4/3	-	4/4	-
May	5/1	-	-	5/29	5/11	5/10	5/12	-
June	6/5	6/4	6/6	-	-	6/18	-	-
Total 2Q dates	2	2	2	2	2	2	2	-
July	7/17	7/9	7/11	7/10	7/3	-	7/4	-
August	8/21	8/20	8/29	8/14	8/10	8/9	8/11	-
September	-	9/24	-	-	-	9/17	-	-
Total 3Q dates	2	3	2	2	2	2	2	-
October	10/9	-	10/3	10/2	10/2	-	10/3	-
November	11/3	11/12	11/14	11/6	11/9	11/8	11/10	-
December	-	12/17	-	12/18	-	12/17	-	12/18
Total 4Q dates	2	2	2	3	2	2	2	1

CONTACT: Career Education Corporation
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www.careered.com