

SCHOLASTIC CORP  
Form 10-Q  
January 02, 2013

**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 November 30, 2012

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 November 30, 2012
_____	_____

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Common Stock, \$.01 par value	30,339,834
Class A Stock, \$.01 par value	1,656,200

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**SCHOLASTIC CORPORATION**  
**FORM 10-Q FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2012**  
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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 November 30,		Six months ended November 30,	
	2012	2011	2012	2011
<b>Revenues</b>	\$ 616.2	\$ 685.3	\$ 909.8	\$ 1,003.3
Operating costs and expenses:				
Cost of goods sold (exclusive of depreciation & amortization)	263.4	285.7	414.5	446.1
Selling, general and administrative expenses (exclusive of depreciation and amortization)	235.2	237.9	409.1	413.6
Depreciation and amortization	16.7	15.5	32.8	30.6
Loss on lease		6.2		6.2
Total operating costs and expenses	515.3	545.3	856.4	896.5
<b>Operating income (loss)</b>	<b>100.9</b>	<b>140.0</b>	<b>53.4</b>	<b>106.8</b>
Other income (expense)	0.0	0.0	0.0	0.0
Interest expense, net	3.7	3.9	7.4	7.8
<b>Earnings (loss) from continuing operations before income taxes</b>	<b>97.2</b>	<b>136.1</b>	<b>46.0</b>	<b>99.0</b>
Provision (benefit) for income taxes	35.3	52.8	16.1	40.8
<b>Earnings (loss) from continuing operations</b>	<b>61.9</b>	<b>83.3</b>	<b>29.9</b>	<b>58.2</b>
<b>Earnings (loss) from discontinued operations, net of tax</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>(0.2)</b>	<b>(2.5)</b>
<b>Net income (loss)</b>	<b>\$ 61.8</b>	<b>\$ 82.8</b>	<b>\$ 29.7</b>	<b>\$ 55.7</b>

**Basic and diluted earnings (loss) per Share of Class A and Common Stock**

Basic:						
Earnings (loss) from continuing operations	\$ 1.93	\$ 2.66	\$ 0.94	\$ 1.86		
Earnings (loss) from discontinued operations, net of tax	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.08)		
Net income (loss)	\$ 1.93	\$ 2.64	\$ 0.93	\$ 1.78		
Diluted:						
Earnings (loss) from continuing operations	\$ 1.89	\$ 2.62	\$ 0.92	\$ 1.83		
Earnings (loss) from discontinued operations, net of tax	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.08)		
Net income (loss)	\$ 1.89	\$ 2.60	\$ 0.91	\$ 1.75		

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Dividends declared per Class A and Common Share	\$	0.125	\$	0.100	\$	0.250	\$	0.200
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*See accompanying notes*

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**SCHOLASTIC CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - UNAUDITED**  
*(Dollar amounts in millions)*

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	Three months ended November 30,		Six months ended November 30,	
	2012	2011	2012	2011
Net income (loss)	\$ 61.8	\$ 82.8	\$ 29.7	\$ 55.7
Other comprehensive income (loss), net:				
Foreign currency translation adjustments	2.5	(6.4)	7.6	(5.9)
Pension and post-retirement adjustments:				
Amortization of prior service cost (credit)	(0.1)	(0.2)	(0.2)	(0.3)
Amortization of unrecognized gain (loss) included in net periodic cost	1.4	1.7	2.6	3.1
Total other comprehensive income (loss)	\$ 3.8	\$ (4.9)	\$ 10.0	\$ (3.1)
Comprehensive income (loss)	\$ 65.6	\$ 77.9	\$ 39.7	\$ 52.6

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*See accompanying notes*

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

(Dollar amounts in millions, except per share data)

	November 30, 2012	May 31, 2012	November 30, 2011
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 257.3	\$ 194.9	\$ 114.0
Accounts receivable, net	272.9	314.1	288.1
Inventories, net	356.4	295.3	376.2
Deferred income taxes	71.5	71.4	56.6
Prepaid expenses and other current assets	50.6	47.2	45.6
Current assets of discontinued operations	7.0	7.0	9.3
<b>Total current assets</b>	<b>1,015.7</b>	<b>929.9</b>	<b>889.8</b>
Property, plant and equipment, net	327.1	327.2	328.7
Prepublication costs	133.9	125.8	118.4
Royalty advances, net	37.6	34.8	37.0
Production costs	2.1	1.6	7.1
Goodwill	157.8	157.7	155.1
Other intangibles	15.6	16.7	18.9
Noncurrent deferred income taxes	42.6	42.3	20.0
Other assets and deferred charges	36.6	34.3	35.9
<b>Total assets</b>	<b>\$ 1,769.0</b>	<b>\$ 1,670.3</b>	<b>\$ 1,610.9</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<i>Current Liabilities:</i>			
Lines of credit, short-term debt and current portion of long-term debt	\$ 0.7	\$ 6.5	\$ 5.7
Capital lease obligations	0.7	1.0	0.6
Accounts payable	208.1	119.6	146.0
Accrued royalties	52.7	92.7	50.8
Deferred revenue	105.2	47.1	92.2
Other accrued expenses	195.2	233.5	205.1
Current liabilities of discontinued operations	1.9	2.1	0.7
<b>Total current liabilities</b>	<b>564.5</b>	<b>502.5</b>	<b>501.1</b>
<i>Noncurrent Liabilities:</i>			
Long-term debt	152.9	152.8	152.7
Capital lease obligations	56.9	56.4	55.5
Other noncurrent liabilities	118.0	128.3	110.1
<b>Total noncurrent liabilities</b>	<b>327.8</b>	<b>337.5</b>	<b>318.3</b>

*Commitments and Contingencies:*

*Stockholders Equity:*

Preferred Stock, \$1.00 par value

Class A Stock, \$.01 par value