

SCHOLASTIC CORP  
Form 10-Q  
December 15, 2017

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, 2017 Commission File No. 000-19860

SCHOLASTIC CORPORATION  
(Exact name of Registrant as specified in its charter)  
Delaware 13-3385513  
(State or  
other  
jurisdiction  
of (IRS Employer Identification No.)  
incorporation  
or  
organization)

557  
Broadway,  
New York 10012  
York,  
New York  
(Address  
of  
principal (Zip Code)  
executive  
offices)

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2017
Common Stock, \$.01 par value	33,240,924
Class A Stock, \$.01 par value	1,656,200

SCHOLASTIC CORPORATION

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2017

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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,	
	2017	2016	2017	2016
Revenues	\$598.3	\$623.1	\$787.5	\$905.8
Operating costs and expenses:				
Cost of goods sold	253.6	271.3	369.2	441.0
Selling, general and administrative expenses	227.0	230.1	385.8	396.1
Depreciation and amortization	10.5	9.6	20.4	19.1
Asset impairments	—	—	6.7	—
Total operating costs and expenses	491.1	511.0	782.1	856.2
Operating income (loss)	107.2	112.1	5.4	49.6
Interest income (expense), net	0.0	(0.4 )	0.3	(0.7 )
Other components of net periodic benefit (cost)	(15.5 )	(0.7 )	(15.6 )	(1.3 )
Earnings (loss) from continuing operations before income taxes	91.7	111.0	(9.9 )	47.6
Provision (benefit) for income taxes	34.6	43.1	(3.3 )	19.2
Earnings (loss) from continuing operations	57.1	67.9	(6.6 )	28.4
Earnings (loss) from discontinued operations, net of tax	—	0.0	—	(0.1 )
Net income (loss)	\$57.1	\$67.9	\$(6.6 )	\$28.3
Basic and diluted earnings (loss) per Share of Class A and Common Stock				
Basic:				
Earnings (loss) from continuing operations	\$1.63	\$1.96	\$(0.19 )	\$0.82
Earnings (loss) from discontinued operations, net of tax	\$—	\$0.00	\$—	\$(0.00 )
Net income (loss)	\$1.63	\$1.96	\$(0.19 )	\$0.82
Diluted:				
Earnings (loss) from continuing operations	\$1.60	\$1.92	\$(0.19 )	\$0.81
Earnings (loss) from discontinued operations, net of tax	\$—	\$0.00	\$—	\$(0.01 )
Net income (loss)	\$1.60	\$1.92	\$(0.19 )	\$0.80
Dividends declared per Class A and Common Share	\$0.15	\$0.15	\$0.30	\$0.30

See accompanying notes

## SCHOLASTIC CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - UNAUDITED

(Dollar amounts in millions)

	Three months ended		Six months ended	
	November 30,		November 30,	
	2017	2016	2017	2016
Net income (loss)	\$57.1	\$67.9	\$(6.6)	\$28.3
Other comprehensive income (loss), net:				
Foreign currency translation adjustments	0.1	(5.1 )	3.8	(7.0 )
Pension and post-retirement adjustments (net of tax)	9.0	0.7	9.5	1.4
Total other comprehensive income (loss)	\$9.1	\$(4.4)	\$13.3	\$(5.6)
Comprehensive income (loss)	\$66.2	\$63.5	\$6.7	\$22.7

See accompanying notes

SCHOLASTIC CORPORATION  
 CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED  
 (Dollar amounts in millions, except per share data)

	November 30, 2017 (Unaudited)	May 31, 2017 (Unaudited)	November 30, 2016 (Unaudited)
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 387.8	\$ 444.1	\$ 442.9
Accounts receivable, net	262.4	199.2	281.6
Inventories, net	355.7	282.5	348.3
Prepaid expenses and other current assets	69.2	44.3	59.8
Current assets of discontinued operations	—	0.4	0.4
Total current assets	1,075.1	970.5	1,133.0
Property, plant and equipment, net	514.0	475.3	446.1
Prepublication costs, net	46.5	43.3	42.7
Royalty advances, net	46.5	41.8	43.0
Goodwill	119.1	118.9	116.2
Noncurrent deferred income taxes	47.6	53.7	69.0
Other assets and deferred charges	59.5	56.9	57.5
Total noncurrent assets	833.2	789.9	774.5
Total assets	\$ 1,908.3	\$ 1,760.4	\$ 1,907.5
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities:			
Lines of credit and current portion of long-term debt	\$ 11.3	\$ 6.2	\$ 7.3
Accounts payable	222.1	141.2	216.4
Accrued royalties	46.9	34.2	71.4
Deferred revenue	82.0	24.2	81.9
Other accrued expenses	173.7	178.0	178.3
Accrued income taxes	2.5	2.8	4.0
Current liabilities of discontinued operations	—	0.5	0.1
Total current liabilities	538.5	387.1	559.4
Noncurrent Liabilities:			
Other noncurrent liabilities	67.1	65.4	72.9
Total noncurrent liabilities	67.1	65.4	72.9
Commitments and Contingencies (see Note 5)	—	—	—
Stockholders' Equity:			
Preferred Stock, \$1.00 par value	—	—	—
Class A Stock, \$0.01 par value	0.0	0.0	0.0
Common Stock, \$0.01 par value	0.4	0.4	0.4
Additional paid-in capital	612.3	606.8	602.1
Accumulated other comprehensive income (loss)	(80.9	) (94.2	)