

SCHOLASTIC CORP  
Form 10-Q  
March 29, 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 February 28, 2013

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 February 28, 2013
Common Stock, \$.01 par value	30,239,455
Class A Stock, \$.01 par value	1,656,200

**SCHOLASTIC CORPORATION**  
**FORM 10-Q FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2013**  
**INDEX**

---

	<b>Page</b>
<b><u>Part I - Financial Information</u></b>	
<b><u>Item 1. Financial Statements</u></b>	
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)</u>	4
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	5
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	8
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	26
<b><u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u></b>	39
<b><u>Item 4. Controls and Procedures</u></b>	40
<b><u>Part II Other Information</u></b>	
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	41
<b><u>Item 6. Exhibits</u></b>	42
<b><u>Signatures</u></b>	43

## 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		Nine months ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
<b>Revenues</b>	\$ 380.5	\$ 467.0	\$ 1,290.3	\$ 1,470.3
Operating costs and expenses:				
Cost of goods sold (exclusive of depreciation and amortization)	191.1	219.6	605.6	665.7
Selling, general and administrative expenses (exclusive of depreciation and amortization)	200.6	242.5	609.7	656.1
Depreciation and amortization	16.5	16.0	49.3	46.6
Loss on leases and asset impairments		0.8		7.0
Total operating costs and expenses	408.2	478.9	1,264.6	1,375.4
<b>Operating income (loss)</b>	<b>(27.7)</b>	<b>(11.9)</b>	<b>25.7</b>	<b>94.9</b>
Other income (expense)	0.0	0.0	0.0	0.0
Interest expense, net	4.1	3.9	11.5	11.7
<b>Earnings (loss) from continuing operations before income taxes</b>	<b>(31.8)</b>	<b>(15.8)</b>	<b>14.2</b>	<b>83.2</b>
Provision (benefit) for income taxes	(11.7)	(5.9)	4.4	34.9
<b>Earnings (loss) from continuing operations</b>	<b>(20.1)</b>	<b>(9.9)</b>	<b>9.8</b>	<b>48.3</b>
<b>Earnings (loss) from discontinued operations, net of tax</b>	<b>(0.0)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(2.9)</b>
<b>Net income (loss)</b>	<b>\$ (20.1)</b>	<b>\$ (10.3)</b>	<b>\$ 9.6</b>	<b>\$ 45.4</b>

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

Basic:				
Earnings (loss) from continuing operations	\$ (0.63)	\$ (0.32)	\$ 0.31	\$ 1.54
Earnings (loss) from discontinued operations, net of tax	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.09)
Net income (loss)	\$ (0.63)	\$ (0.33)	\$ 0.30	\$ 1.45
Diluted:				
Earnings (loss) from continuing operations	\$ (0.63)	\$ (0.32)	\$ 0.30	\$ 1.52
Earnings (loss) from discontinued operations, net of tax	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.09)
Net income (loss)	\$ (0.63)	\$ (0.33)	\$ 0.29	\$ 1.43

Edgar Filing: SCHOLASTIC CORP - Form 10-Q

Dividends declared per Class A and Common Share	\$	0.125	\$	0.125	\$	0.375	\$	0.325
---	----	-------	----	-------	----	-------	----	-------

---

*See accompanying notes*

---

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

---

	Three months ended		Nine months ended	
	February 28,	February 29,	February 28,	February 29,
	2013	2012	2013	2012
Net income (loss)	\$ (20.1)	\$ (10.3)	\$ 9.6	\$ 45.4
Other comprehensive income (loss), net:				
Foreign currency translation adjustments	(5.2)	3.7	1.9	(2.2)
Pension and post-retirement adjustments:				
Amortization of prior service credit	(0.1)	(0.2)	(0.3)	(0.5)
Amortization of unrecognized gains and losses included in net periodic cost	0.8	1.1	3.9	4.2
Total other comprehensive income (loss)	\$ (4.5)	\$ 4.6	\$ 5.5	\$ 1.5
Comprehensive income (loss)	\$ (24.6)	\$ (5.7)	\$ 15.1	\$ 46.9

---

*See accompanying notes*

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

	February 28, 2013	May 31, 2012	February 29, 2012
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 196.7	\$ 194.9	\$ 111.8
Accounts receivable, net	196.4	314.1	271.5
Inventories, net	352.5	295.3	397.2
Deferred income taxes	71.4	71.4	56.5
Prepaid expenses and other current assets	76.6	47.2	75.4
Current assets of discontinued operations	7.0	7.0	9.3
<b>Total current assets</b>	<b>900.6</b>	<b>929.9</b>	<b>921.7</b>
Property, plant and equipment, net	323.6	327.2	326.2
Prepublication costs	139.7	125.8	119.8
Royalty advances, net	36.8	34.8	36.7
Production costs	2.0	1.6	7.4
Goodwill	158.0	157.7	162.9
Other intangibles	15.0	16.7	16.6
Noncurrent deferred income taxes	42.5	42.3	20.2
Other assets and deferred charges	35.3	34.3	34.7
<b>Total assets</b>	<b>\$ 1,653.5</b>	<b>\$ 1,670.3</b>	<b>\$ 1,646.2</b>

**LIABILITIES AND STOCKHOLDERS EQUITY**
**Current Liabilities:**

Lines of credit, short-term debt and current portion of long-term debt	\$ 1.8	\$ 6.5	\$ 12.6
Capital lease obligations	0.4	1.0	1.1
Accounts payable	157.9	119.6	160.1
Accrued royalties	66.3	92.7	84.4
Deferred revenue	81.4	47.1	78.5
Other accrued expenses	175.4	233.5	209.1
Current liabilities of discontinued operations	1.6	2.1	1.2
<b>Total current liabilities</b>	<b>484.8</b>	<b>502.5</b>	<b>547.0</b>

**Noncurrent Liabilities:**

Long-term debt	153.0	152.8	152.7
Capital lease obligations	57.2	56.4	56.1
Other noncurrent liabilities	112.7	128.3	105.1

<b>Total noncurrent liabilities</b>	<b>322.9</b>	<b>337.5</b>	<b>313.9</b>
-------------------------------------	--------------	--------------	--------------