

LINCOLN EDUCATIONAL SERVICES CORP  
Form 10-Q  
November 13, 2017

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

---

Form 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

---

Commission File Number 000-51371

---

LINCOLN EDUCATIONAL SERVICES CORPORATION  
(Exact name of registrant as specified in its charter)

New Jersey 57-1150621  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

200 Executive Drive, Suite 340  
West Orange, NJ 07052  
(Address of principal executive offices) (Zip Code)

(973) 736-9340  
(Registrant's telephone number, including area code)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 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

Edgar Filing: LINCOLN EDUCATIONAL SERVICES CORP - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 (Do not check if a smaller reporting company) 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

As of November 8, 2017, there were 24,719,055 shares of the registrant’s common stock outstanding.

---

---

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

INDEX TO FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

PART I. FINANCIAL INFORMATION

<u>Item 1. Financial Statements (Unaudited)</u>	1
<u>Condensed Consolidated Balance Sheets at September 30, 2017 and December 31, 2016</u>	1
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016</u>	3
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2017 and 2016</u>	4
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2017 and 2016</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016</u>	6
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	35
<u>PART II. OTHER INFORMATION</u>	35
<u>Item 1. Legal Proceedings</u>	35
<u>Item 5. Other Information</u>	36
<u>Item 6. Exhibits</u>	38
<u>SIGNATURES</u>	39

---

Index

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 7,277	\$ 21,064
Restricted cash	7,189	6,399
Accounts receivable, less allowance of \$13,034 and \$12,375 at September 30, 2017 and December 31, 2016, respectively	18,503	15,383
Inventories	1,787	1,687
Prepaid income taxes and income taxes receivable	195	262
Assets held for sale	3,021	16,847
Prepaid expenses and other current assets	2,187	2,894
Total current assets	40,159	64,536
<b>PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of \$162,189 and \$157,152 at September 30, 2017 and December 31, 2016, respectively</b>		
	54,083	55,445
<b>OTHER ASSETS:</b>		
Noncurrent restricted cash	-	20,252
Noncurrent receivables, less allowance of \$1,304 and \$977 at September 30, 2017 and December 31, 2016, respectively	7,827	7,323
Goodwill	14,536	14,536
Other assets, net	954	1,115
Total other assets	23,317	43,226
<b>TOTAL</b>	<b>\$ 117,559</b>	<b>\$ 163,207</b>

See notes to unaudited condensed consolidated financial statements.

IndexLINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

(Continued)

	September 30, 2017	December 31, 2016
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of credit agreement and term loan	\$ -	\$ 11,713
Unearned tuition	26,200	24,778
Accounts payable	10,423	13,748
Accrued expenses	14,619	15,368
Other short-term liabilities	2,122	653
Total current liabilities	53,364	66,260
<b>NONCURRENT LIABILITIES:</b>		
Long-term credit agreement and term loan	16,721	30,244
Pension plan liabilities	4,981	5,368
Accrued rent	4,672	5,666
Other long-term liabilities	685	743
Total liabilities	80,423	108,281
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at September 30, 2017 and December 31, 2016	-	-
Common stock, no par value - authorized: 100,000,000 shares at September 30, 2017 and December 31, 2016; issued and outstanding: 30,629,596 shares at September 30, 2017 and 30,685,017 shares at December 31, 2016	141,377	141,377
Additional paid-in capital	29,073	28,554
Treasury stock at cost - 5,910,541 shares at September 30, 2017 and December 31, 2016	(82,860 )	(82,860 )
Accumulated deficit	(45,234 )	(26,044 )
Accumulated other comprehensive loss	(5,220 )	(6,101 )
Total stockholders' equity	37,136	54,926
<b>TOTAL</b>	<b>\$ 117,559</b>	<b>\$ 163,207</b>

See notes to unaudited condensed consolidated financial statements.

IndexLINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
REVENUE	\$ 67,308	\$ 74,267	\$ 194,452	\$ 212,991
COSTS AND EXPENSES:				
Educational services and facilities	34,070	37,543	99,183	110,234
Selling, general and administrative	35,499	37,402	109,378	113,307
Gain on sale of assets	(1,530 )	(7 )	(1,619 )	(402 )
Total costs & expenses	68,039	74,938	206,942	223,139
OPERATING LOSS	(731 )	(671 )	(12,490 )	(10,148 )
OTHER:				
Interest income	7	69	47	141
Interest expense	(716 )	(1,497 )	(6,597 )	(4,629 )
Other income				