

ITT EDUCATIONAL SERVICES INC
Form 10-Q
November 19, 2014
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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 June 30, 2014

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 1-13144

ITT EDUCATIONAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-2061311
(I.R.S. Employer
Identification No.)

13000 North Meridian Street
Carmel, Indiana
(Address of principal executive offices)

46032-1404
(Zip Code)

Registrant's telephone number, including area code: (317) 706-9200

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

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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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

23,448,168

Number of shares of Common Stock, \$.01 par value, outstanding at October 31, 2014

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ITT EDUCATIONAL SERVICES, INC.

Carmel, Indiana

Quarterly Report to Securities and Exchange Commission

June 30, 2014

PART I

FINANCIAL INFORMATION

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	June 30, 2014 (unaudited)	As of December 31, 2013	June 30, 2013 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 224,956	\$ 215,771	\$ 182,568
Restricted cash	2,768	5,636	5,819
Accounts receivable, net	68,937	99,530	125,927
PEAKS Trust student loans, less allowance for loan losses of \$0, \$0 and \$0	7,420	7,730	7,307
Deferred income taxes	67,415	77,549	68,215
Prepaid expenses and other current assets	36,056	28,400	20,015
Total current assets	407,552	434,616	409,851
Property and equipment, net	158,947	168,509	179,095
PEAKS Trust student loans, excluding current portion, less allowance for loan losses of \$38,420, \$29,349 and \$4,319	65,997	76,479	101,375
Deferred income taxes	78,218	68,324	45,267
Other assets	65,505	58,923	31,990
Total assets	\$ 776,219	\$ 806,851	\$ 767,578
Liabilities and Shareholders Equity			
Current liabilities:			
Current portion of long-term debt	\$ 50,000	\$ 50,000	\$ 0
Current portion of PEAKS Trust senior debt	132,429	157,883	102,695
Accounts payable	75,918	58,021	63,719
Accrued compensation and benefits	23,320	18,107	26,219
Other current liabilities	46,233	42,136	43,177
Deferred revenue	131,378	147,630	113,891
Total current liabilities	459,278	473,777	349,701
Long-term debt	0	0	120,000
PEAKS Trust senior debt, excluding current portion	58,442	71,341	124,983
Other liabilities	138,361	146,087	43,208
Total liabilities	656,081	691,205	637,892

Shareholders equity:

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Preferred stock, \$.01 par value, 5,000,000 shares authorized, none issued	0	0	0
Common stock, \$.01 par value, 300,000,000 shares authorized, 37,068,904 issued	371	371	371
Capital surplus	198,806	200,040	195,141
Retained earnings	944,431	940,449	970,405
Accumulated other comprehensive income (loss)	2,670	3,146	(7,787)
Treasury stock, 13,665,129, 13,698,716 and 13,700,051 shares, at cost	(1,026,140)	(1,028,360)	(1,028,444)
Total shareholders equity	120,138	115,646	129,686
Total liabilities and shareholders equity	\$ 776,219	\$ 806,851	\$ 767,578

The accompanying notes are an integral part of these condensed consolidated financial statements.

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ITT EDUCATIONAL SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue	\$ 238,096	\$ 260,459	\$ 476,019	\$ 545,521
Costs and expenses:				
Cost of educational services	116,276	123,541	236,391	247,717
Student services and administrative expenses	97,547	98,335	196,785	200,056
Legal and professional fees related to certain lawsuits, investigations and accounting matters	8,380	213	13,927	1,713
Loss related to loan program guarantees	0	0	0	3,803