

ITT EDUCATIONAL SERVICES INC  
Form 10-Q  
July 23, 2009  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**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, 2009**

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.

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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

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

**37,707,809**

Number of shares of Common Stock, \$.01 par value, outstanding at June 30, 2009

**ITT EDUCATIONAL SERVICES, INC.**

Carmel, Indiana

Quarterly Report to Securities and Exchange Commission

June 30, 2009

**PART I**

**FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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Condensed Consolidated Balance Sheets as of June 30, 2009 and 2008 (unaudited) and

December 31, 2008

Condensed Consolidated Statements of Income (unaudited) for the three and six months ended

June 30, 2009 and 2008

Condensed Consolidated Statements of Cash Flows (unaudited) for the three and six months ended

June 30, 2009 and 2008

Condensed Consolidated Statements of Shareholders' Equity for the six months ended

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June 30, 2009 and 2008 (unaudited) and the year ended December 31, 2008

Notes to Condensed Consolidated Financial Statements

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**ITT EDUCATIONAL SERVICES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands, except per share data)

	<b>June 30, 2009</b>	<b>As of December 31, 2008</b>	<b>June 30, 2008</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$140,204	\$226,255	\$78,691
Short-term investments	144,500	138,709	170,500
Restricted cash	72	10,405	200
Accounts receivable, net	69,747	29,779	29,198
Deferred income taxes	14,132	12,104	11,776
Prepaid expenses and other current assets	15,978	13,793	10,571
Total current assets	384,633	431,045	300,936
Property and equipment, net	194,046	166,671	162,987
Direct marketing costs, net	25,988	22,973	21,963
Other assets	20,235	3,170	18,675
Total assets	\$624,902	\$623,859	\$504,561
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable	\$62,420	\$54,815	\$54,409
Accrued compensation and benefits	21,016	21,133	20,823
Accrued income taxes	11,742	14,976	5,443
Other accrued liabilities	15,464	11,423	13,198
Deferred revenue	126,878	162,206	138,338
Total current liabilities	237,520	264,553	232,211
Long-term debt	150,000	150,000	150,000
Deferred income taxes	167	1,504	10,818
Other liabilities	21,948	19,951	18,486
Total liabilities	409,635	436,008	411,515
Shareholders' equity:			
Preferred stock, \$.01 par value, 5,000,000 shares authorized, none issued	--	--	--
Common stock, \$.01 par value, 300,000,000 shares authorized, 54,068,904 issued	541	541	541
Capital surplus	147,369	135,655	131,389
Retained earnings	858,333	732,107	620,901
Accumulated other comprehensive (loss)	(12,868)	(13,384)	(3,417)
Treasury stock, 16,361,095, 15,352,376			

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and 15,235,461 shares, at cost	(778,108)	(667,068)	(656,368)
Total shareholders' equity	215,267	187,851	93,046
Total liabilities and shareholders' equity	\$624,902	\$623,859	\$504,561

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

**ITT EDUCATIONAL SERVICES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Amounts in thousands, except per share data)**  
**(unaudited)**