

ITT EDUCATIONAL SERVICES INC  
Form 10-Q  
July 23, 2004

**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, 2004

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**

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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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**45,737,061**

Number of shares of Common Stock, \$.01 par value, outstanding at June 30, 2004

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**ITT EDUCATIONAL SERVICES, INC.**

Carmel, Indiana

Quarterly Report to Securities and Exchange Commission

June 30, 2004

PART I

FINANCIAL INFORMATION

**Item 1. FINANCIAL STATEMENTS.**

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Consolidated Statements of Income (unaudited) for the three and six months ended  
June 30, 2004 and 2003

Consolidated Balance Sheets as of June 30, 2004 and 2003 (unaudited) and December 31, 2003

Consolidated Statements of Cash Flows (unaudited) for the three and six months ended  
June 30, 2004 and 2003

Consolidated Statements of Shareholders' Equity for the three months ended March 31, 2004 and  
June 30, 2004 (unaudited) and the year ended December 31, 2003

Notes to Consolidated Financial Statements

**ITT EDUCATIONAL SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
<b>Revenues</b>	\$ 150,931	\$ 124,831	\$ 292,661	\$ 243,831
<b>Costs and Expenses</b>				
Cost of educational services	78,010	72,449	154,503	140,782
Student services and administrative expenses	45,045	36,924	86,494	73,922
Special legal and other investigation costs	5,606		15,306	
Total costs and expenses	128,661	109,373	256,303	214,704
Operating income	22,270	15,458	36,358	29,127
Interest income, net	648	550	1,357	998
Income before income taxes	22,918	16,008	37,715	30,125
Income taxes	8,938	6,163	14,709	11,598
Net income	\$ 13,980	\$ 9,845	\$ 23,006	\$ 18,527
Earnings per common share (basic):	\$ 0.31	\$ 0.22	\$ 0.50	\$ 0.41
Earnings per common share (diluted):	\$ 0.30	\$ 0.21	\$ 0.49	\$ 0.40

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

## ITT EDUCATIONAL SERVICES, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2004 (unaudited)	December 31, 2003	June 30, 2003 (unaudited)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 183,327	\$ 168,273	\$ 156,212
Restricted cash		8,496	
Short-term investments	83,122	63,938	12,188
Accounts receivable, net	11,320	9,398	8,322
Deferred and prepaid income tax	4,399	2,906	3,125
Prepays and other current assets	6,910	3,635	5,619
Total current assets	289,078	256,646	185,466
Property and equipment, net	88,464	81,503	74,885
Direct marketing costs	12,926	10,844	10,618
Investments	18,509	13,467	
Other assets	959	810	789
Total assets	\$ 409,936	\$ 363,270	\$ 271,758
<b>Liabilities and Shareholders Equity</b>			
Current liabilities			
Accounts payable	\$ 59,347	\$ 36,543	\$ 41,531
Accrued compensation and benefits	14,623	16,986	10,979
Other accrued liabilities	20,838	18,444	17,785
Deferred revenue	122,521	130,364	95,027
Total current liabilities	217,329	202,337	165,322