

CAMBIUM LEARNING GROUP, INC.

Form 10-Q

May 09, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

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: 001-34575

Cambium Learning Group, Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or Other Jurisdiction of Incorporation or Organization)	27-0587428 (I.R.S. Employer Identification No.)
17855 North Dallas Parkway, Suite 400, Dallas, Texas (Address of Principal Executive Offices)	75287 (Zip Code)
Registrant's telephone number, including area code: (214) 932-9500	

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

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of April 30, 2013 was 46,904,370.

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Cambium Learning Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except per share data)

(Unaudited)

	Three Months Ended	
	March 31,	March 31,
	2013	2012
Net revenues	\$ 31,429	\$ 27,855
Cost of revenues:		
Cost of revenues	11,403	11,166
Amortization expense	3,707	6,370
Total cost of revenues	15,110	17,536
Research and development expense	2,331	3,332
Sales and marketing expense	10,333	11,896
General and administrative expense	6,793	5,745
Shipping and handling costs	299	327
Depreciation and amortization expense	1,216	1,659
Embezzlement and related expense (recoveries)		(85)
Impairment of long-lived assets		2,791
Total costs and expenses	36,082	43,201
Loss before interest, other income (expense) and income taxes	(4,653)	(15,346)
Net interest expense	(4,576)	(4,777)
Other income, net	219	36
Loss before income taxes	(9,010)	(20,087)
Income tax expense	(68)	(177)
Net loss	\$ (9,078)	\$ (20,264)
Other comprehensive income (loss):		
Amortization of net pension loss	30	9
Comprehensive loss	\$ (9,048)	\$ (20,255)
Net loss per common share:		
Basic net loss per common share	\$ (0.19)	\$ (0.41)
Diluted net loss per common share	\$ (0.19)	\$ (0.41)
Average number of common shares and equivalents outstanding:		
Basic	47,397	49,947
Diluted	47,397	49,947

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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Cambium Learning Group, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

	March 31, 2013 (unaudited)	As of December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 31,149	\$ 51,904
Accounts receivable, net	18,152	17,813
Inventory	14,253	16,620
Tax receivables	12,312	12,234
Restricted assets, current	4,351	4,387
Assets held for sale	380	380
Other current assets	5,393	5,892
Total current assets	85,990	109,230
Property, equipment and software at cost	37,465	35,535
Accumulated depreciation and amortization	(16,305)	(14,514)
Property, equipment and software, net	21,160	21,021
Goodwill	47,404	47,404
Acquired curriculum and technology intangibles, net	8,383	9,320
Acquired publishing rights, net	6,878	7,602
Other intangible assets, net	7,385	7,836
Pre-publication costs, net	12,499	11,660
Restricted assets, less current portion	6,422	6,754
Other assets	9,294	9,632
Total assets	\$ 205,415	\$ 230,459

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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Cambium Learning Group, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

	March 31, 2013 (unaudited)	As of December 31, 2012
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Capital lease obligations, current	\$ 1,044	\$ 1,290
Accounts payable	1,352	3,007
Contingent value rights, current	7,654	7,599
Accrued expenses	14,766	20,530
Deferred revenue, current	38,614	45,974
Total current liabilities	63,430	78,400
Long-term liabilities:		
Long-term debt	174,368	174,328
Capital lease obligations, less current portion	2,781	3,014
Deferred revenue, less current portion	5,067	5,631
Other liabilities	14,854	15,131
Total long-term liabilities	197,070	198,104
Commitments and contingencies (See Note 13)		
Stockholders' equity (deficit):		
Preferred stock (\$.001 par value, 15,000 shares authorized, zero shares issued and outstanding at March 31, 2013 and December 31, 2012)		
Common stock (\$.001 par value, 150,000 shares authorized, 51,208 and 51,208 shares issued, and 46,904 and 47,098 shares outstanding at March 31, 2013 and December 31, 2012, respectively)	51	51
Capital surplus	282,702	282,450
Accumulated deficit	(327,520)	(318,442)
Treasury stock at cost (4,304 and 4,110 shares at March 31, 2013 and December 31, 2012, respectively)	(7,772)	(7,528)
Other comprehensive income (loss):		
Pension and postretirement plans	(2,546)	(2,576)
Accumulated other comprehensive income (loss)	(2,546)	(2,576)
Total stockholders' equity (deficit)	(55,085)	(46,045)
Total liabilities and stockholders' equity (deficit)	\$ 205,415	\$ 230,459

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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Cambium Learning Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended	
	March 31,	March 31,
	2013	2012
Operating activities:		
Net loss	\$ (9,078)	\$ (20,264)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	4,923	8,029
Amortization of note discount and deferred financing costs	430	435
Change in fair value of contingent value rights obligation	55	53
Loss on disposal of assets	3	81
Stock-based compensation and expense	229	225
Impairment of long-lived assets		2,791
Changes in operating assets and liabilities:		
Accounts receivable, net	(339)	2,836
Inventory	2,367	(520)
Other current assets	545	112
Other assets	(52)	(68)
Restricted assets	368	372
Accounts payable	(1,655)	1,280
Accrued expenses	(5,764)	(5,316)
Deferred revenue	(7,924)	(7,081)
Other long-term liabilities	(348)	(200)
 Net cash used in operating activities	 (16,240)	 (17,235)
Investing activities:		
Expenditures for property, equipment, software and pre-publication costs	(3,792)	(3,792)
 Net cash used in investing activities	 (3,792)	 (3,792)
Financing activities:		
Principal payments under capital lease obligations		