CAMBIUM LEARNING GROUP, INC.
Form 8-K
March 17, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of the Securities Exchange Act of 1934
Date of Report (Date of Earliest Event Reported): March 14, 2017
Cambium Learning Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-34575	27-0587428
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

17855 Dallas Parkway, Suite 400, Dallas, Texas	75287
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (888) 399-1995
Not Applicable
Former name or former address, if changed since last report
Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
¨Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
¨Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
¨Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
¨Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.
On March 14, 2017, Cambium Learning Group, Inc. (the "Company") issued a press release announcing its financial results for the year ended December 31, 2016. A copy of the press release is attached hereto as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure.

On March 14, 2017, the Company hosted a conference call to discuss its financial results for the year ended December 31, 2016. A transcript of the conference call is attached hereto as Exhibit 99.2.

The information in this current report on Form 8-K and the exhibits attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits.
(d) Exhibits.

Exhibit No.	Description
99.1	Press Release, dated March 14, 2017
99.2	Transcript of Cambium Learning Group, Inc.’s earnings conference call held on March 14, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Cambium Learning Group, Inc.

March 16, 2017 /s/ Barbara Benson
Name: Barbara Benson
Title: Chief Financial Officer

EXHIBIT INDEX

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it in the fiscal nine months of 2015 was primarily due to higher gains recognized in the fiscal nine months of 2015 partially offset by a sales decline of OLYSIO®(simeprevir). The fiscal nine months of 2015 included $1.5 billion from a gain on the U.S. divestiture of NUCYNTA®, receipt of a contingent payment and a positive adjustment to previous reserve estimates, including managed medicaid rebates. Additionally, the pre-tax profit in the fiscal nine months of 2014 was negatively impacted by $0.2 billion for an additional year of the Branded Prescription Drug Fee and a $0.1 billion intangible asset write-down related to INCIVO® (telaprevir). Pre-tax profit for the Pharmaceutical segment as a percent to sales in the fiscal third quarter of 2015 was 35.5% versus 39.1% for the same period a year ago. The fiscal third quarter of 2014 was favorably impacted by strong sales volume growth, particularly sales of OLYSIO®/SOVRIAD® (simeprevir), positive sales mix of higher margin products and cost containment initiatives realized in selling, marketing and administrative expenses partially offset by $0.2 billion for an additional year of the Branded Prescription Drug Fee.

Medical Devices Segment

Pre-tax profit for the Medical Devices segment as a percent to sales in the fiscal nine months of 2015 was 24.8% versus 33.9% for the same period a year ago. The unfavorable pre-tax profit in the fiscal nine months of 2015 was primarily attributable to a net gain of $1.9 billion on the divestiture of the Ortho-Clinical Diagnostics business recorded in the fiscal third quarter of 2014 partially offset by higher expenses of $0.8 billion related to net litigation and Synthes integration costs as compared to the fiscal nine months of 2015. Additionally, the fiscal nine months of 2015 included a $0.3 billion intangible asset write-down related to Acclarent.

Pre-tax profit for the Medical Devices segment as a percent to sales in the fiscal third quarter of 2015 was 13.7% versus 51.7% for the same period a year ago. The unfavorable pre-tax profit in the fiscal third quarter of 2015 was primarily attributable to a net gain of $1.9 billion on the divestiture of the Ortho-Clinical Diagnostics business recorded in the fiscal third quarter of 2014 partially offset by higher expenses of $0.3 billion related to Synthes integration costs and costs associated with the DePuy ASR™ Hip program as compared to the fiscal third quarter of 2015. Additionally, the fiscal third quarter of 2015 included a $0.3 billion intangible asset write-down related to Acclarent and higher litigation expense of $0.2 billion as compared to the fiscal third quarter of 2014.

Provision for Taxes on Income

The worldwide effective income tax rates for the fiscal nine months of 2015 and 2014 were 21.0% and 22.7%, respectively. The lower effective tax rate in 2015 as compared to 2014 was primarily due the 2014 divestiture of the Ortho-Clinical Diagnostics business at an approximate 41% effective tax rate and the accrual of an additional year of the Branded Prescription Drug Fee, which is not tax deductible. This additional 2014 tax expense was partially offset by a benefit from the Conor Medsystems divestiture, a settlement of substantially all issues related to the Company's U.S. Internal Revenue

42

Table of Contents

Service audit of tax years 2006 - 2009 and the federal appeals court's decision in OMJ Pharmaceuticals, Inc.'s litigation regarding credits under former Section 936 of the Internal Revenue Code. Additionally, the effective tax rate is lower in 2015 as compared to 2014 as a result of the mix in foreign earnings to lower tax jurisdictions.

As of September 27, 2015, the Company had approximately $2.6 billion of liabilities from unrecognized tax benefits. The Company believes it is possible that audits may be completed by tax authorities in some jurisdictions over the next twelve months. The Company is not able to provide a reasonably reliable estimate of the timing of any other future tax payments relating to uncertain tax positions.

See Note 8 to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended December 28, 2014 for more detailed information regarding unrecognized tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash and cash equivalents were $13.6 billion at the end of the fiscal third quarter of 2015 as compared with $14.5 billion at the fiscal year end of 2014. The primary sources of cash were approximately $14.2 billion net cash generated from operating activities offset by $6.3 billion used by investing activities and $7.6 billion used by financing activities and $1.2 billion due to the effect on exchange rate changes on cash and cash equivalents. In addition, the Company had $23.7 billion in marketable securities at the end of the fiscal third quarter of 2015 and $18.6 billion at the end of 2014.

Cash flow from operations of $14.2 billion was the result of $12.2 billion of net earnings and $3.8 billion of non-cash charges and other adjustments for depreciation and amortization, stock-based compensation and assets write-downs, primarily related to Acclarent, $1.3 billion from net gains on sale of assets/businesses and $2.7 billion related to deferred taxes, other current and non-current assets and other current and non-current liabilities. Cash flow from operations was reduced by $1.6 billion related to accounts payable and accrued liabilities and $1.6 billion related to account receivables and inventories.

Investing activities use of $6.3 billion of cash was primarily for net purchases of investments in marketable securities of $5.6 billion, additions to property, plant and equipment of $2.1 billion and acquisitions of $0.2 billion partially offset by proceeds from the disposal of assets/businesses of $1.6 billion.

Financing activities use of $7.6 billion of cash was primarily for dividends to shareholders of $6.1 billion and $3.4 billion for the repurchase of common stock. Financing activities also included a source of $0.8 billion of net proceeds from stock options exercised and associated tax benefits and net proceeds of short and long-term debt of $1.2 billion.

The Company has access to substantial sources of funds at numerous banks worldwide. In September 2015, the Company secured a new 364-day Credit Facility. Total credit available to the Company under the facility, which expires September 15, 2016, approximates $10.0 billion. Interest charged on borrowings under the credit line agreement is based on either bids provided by banks, the prime rate or London Interbank Offered Rates (LIBOR), plus applicable margins. Commitment fees under the agreement are not material.
In the fiscal third quarter of 2015, the Company continued to have access to liquidity through the commercial paper market. The Company anticipates that operating cash flows, existing credit facilities and access to the commercial paper markets will continue to provide sufficient resources to fund operating needs. However, the Company monitors the global capital markets on an ongoing basis and from time to time may raise capital when market conditions are favorable.

Subsequent to the quarter, on October 13, 2015, the Company announced that its Board of Directors approved a share repurchase program, authorizing the Company to purchase up to $10.0 billion of the Company's shares of common stock. The repurchase program has no time limit and may be suspended for periods or discontinued at any time. Any shares acquired will be available for general corporate purposes.

Dividends

On July 20, 2015, the Board of Directors declared a regular cash dividend of $0.75 per share, payable on September 8, 2015 to shareholders of record as of August 25, 2015.

Table of Contents

On October 22, 2015, the Board of Directors declared a regular cash dividend of $0.75 per share, payable on December 8, 2015 to shareholders of record as of November 24, 2015. The Company expects to continue the practice of paying regular quarterly cash dividends.

Concentration of Credit Risk

Global concentration of credit risk with respect to trade accounts receivables continues to be limited due to the large number of customers globally and adherence to internal credit policies and credit limits. Economic challenges in Italy, Spain, Greece and Portugal (the Southern European Region) have impacted certain payment patterns, which have historically been longer than those experienced in the U.S. and other international markets. The total net trade accounts receivable balance in the Southern European Region was approximately $1.7 billion as of September 27, 2015 and $1.8 billion as of December 28, 2014. Approximately $1.1 billion as of September 27, 2015 and December 28, 2014 of the Southern European Region net trade accounts receivable balance related to the Company's Consumer, Vision Care and Diabetes Care businesses as well as certain Pharmaceutical and Medical Devices customers, which are in line with historical collection patterns.

The remaining balance of net trade accounts receivable in the Southern European Region has been negatively impacted by the timing of payments from certain government owned or supported health care customers as well as certain distributors of the Pharmaceutical and Medical Devices local affiliates. The total net trade accounts receivable balance for these customers was approximately $0.6 billion at September 27, 2015 and $0.7 billion as of December 28, 2014. The Company continues to receive payments from these customers and in some cases late payment premiums. For customers where payment is expected over periods of time longer than one year, revenue and trade receivables have been discounted over the estimated period of time for collection. Allowances for doubtful accounts have been increased for these customers, but have been immaterial to date. The Company will continue to work closely with these customers on payment plans, monitor the economic situation and take appropriate actions, as necessary.

OTHER INFORMATION

New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for new accounting pronouncements.

Economic and Market Factors

The Company operates in certain countries where the economic conditions continue to present significant challenges. The Company continues to monitor these situations and take appropriate actions. Inflation rates and currency exchange rates continue to have an effect on worldwide economies and, consequently, on the way the Company operates. In the face of increasing costs, the Company strives to maintain its profit margins through cost reduction programs, productivity improvements and periodic price increases.

The Venezuelan government has established alternative systems and offerings of various foreign currency exchanges. In 2015, the Company continues to have access to an official government rate of 6.3 Bolivares Fuertes to one U.S. dollar to settle imports of various products into Venezuela. During 2014, the Company applied to settle an outstanding dividend payable at one of the alternative foreign exchange rates. As a result, the Company has applied this alternative exchange rate to translate certain transactions, as appropriate. Through the third quarter of 2015, the Company has primarily utilized the official government rate of 6.3 Bolivares Fuertes to one U.S. dollar in preparing its consolidated financial statements. Beginning in the third quarter of 2015, the number of the Company’s transactions conducted at the official rate has declined from prior quarters. If the Company’s ability to have consistent access to the official government rate continues to decline, the Company would consider the use of one of the alternative rates in preparing its consolidated financial statements. As of September 27, 2015, the Company’s Venezuelan subsidiaries represented

less than 0.4% of the Company's consolidated assets, liabilities, revenues, profits and net equity; therefore, the effect of any possible action related to the Company’s Venezuelan businesses is not expected to have a material adverse effect on the Company's 2015 full-year results.

As described above, while the Company continues to do business in Greece, the Company closely monitors the economic situation. As of September 27, 2015, the Company’s Greek subsidiaries represented 0.3% and 0.4% of the Company's consolidated assets and revenues, respectively.

The Company faces various worldwide health care changes that may continue to result in pricing pressures that include health care cost containment and government legislation relating to sales, promotions and reimbursement of health care products.

Table of Contents

Changes in the behavior and spending patterns of purchasers of health care products and services, including delaying medical procedures, rationing prescription medications, reducing the frequency of physician visits and foregoing health care insurance coverage, as a result of the current global economic downturn, may continue to impact the Company’s businesses.

The Company also operates in an environment increasingly hostile to intellectual property rights. Firms have filed Abbreviated New Drug Applications or Biosimilar Biological Product Applications with the FDA or otherwise challenged the coverage and/or validity of the Company's patents, seeking to market generic or biosimilar forms of many of the Company’s key pharmaceutical products prior to expiration of the applicable patents covering those products. In the event the Company is not successful in defending the patent claims challenged in the resulting lawsuits, generic or biosimilar versions of the products at issue will be introduced to the market, resulting in the potential for substantial market share and revenue losses for those products, and which may result in a non-cash impairment charge in any associated intangible asset. For further information, see the discussion on “REMICADE® Related Cases” and “Litigation Against Filers of Abbreviated New Drug Applications” in Note 11 to the Consolidated Financial Statements.

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

This Form 10-Q contains forward-looking statements. Forward-looking statements do not relate strictly to historical or current facts and anticipate results based on management’s plans that are subject to uncertainty. Forward-looking statements may be identified by the use of words like “plans,” “expects,” “will,” “anticipates,” “estimates” and other words of similar meaning in conjunction with, among other things, discussions of future operations, financial performance, the Company’s strategy for growth, product development, regulatory approval, market position and expenditures.

Forward-looking statements are based on current expectations of future events. The Company cannot guarantee that any forward-looking statement will be accurate, although the Company believes that it has been reasonable in its expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or that known or unknown risks or uncertainties materialize, actual results could vary materially from the Company’s expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. The Company does not undertake to update any forward-looking statements as a result of new information or future events or developments.

Risks and uncertainties include, but are not limited to: economic factors, such as interest rate and currency exchange rate fluctuations; competition, including technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approvals; challenges to patents; the impact of patent expirations; uncertainty of commercial success of new and existing products; significant adverse litigation or government action, including related to product liability claims; impact of business combinations and divestitures; significant changes in customer relationships or changes in behavior and spending patterns or financial distress of purchasers of health care products and services; changes to laws and regulations and global health care reforms; trends toward health care cost containment; increased scrutiny of the health care industry by government agencies; financial instability of international economies and sovereign risk; manufacturing difficulties or delays; complex global supply chains with increasing regulatory requirements; product efficacy or safety concerns resulting in product recalls or regulatory action; disruptions due to natural disasters; and the potential failure to meet obligations in compliance agreements with government bodies.

The Company’s Annual Report on Form 10-K for the fiscal year ended December 28, 2014, including Exhibit 99 thereto, contains a discussion of additional factors that could cause actual results to differ from expectations. The Company notes these factors as permitted by the Private Securities Litigation Reform Act of 1995.

Item 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in its Annual Report on Form 10-K for the fiscal year ended December 28, 2014.

Item 4 — CONTROLS AND PROCEDURES

Disclosure controls and procedures. At the end of the period covered by this report, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is

Table of Contents

accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Alex Gorsky, Chairman, Board of Directors and Chief Executive Officer, and Dominic J. Caruso, Vice President, Finance and Chief Financial Officer, reviewed and participated in this evaluation. Based on this evaluation, Messrs. Gorsky and Caruso concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

Internal control. During the period covered by this report, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.
The Company is implementing a multi-year, enterprise-wide initiative to integrate, simplify and standardize processes and systems for the human resources, information technology, procurement, supply chain and finance functions. These are enhancements to support the growth of the Company's financial shared service capabilities and standardize financial systems. This initiative is not in response to any identified deficiency or weakness in the Company's internal control over financial reporting. In response to this initiative, the Company has and will continue to align and streamline the design and operation of its financial control environment.
Part II — OTHER INFORMATION

Item 1 — LEGAL PROCEEDINGS

The information called for by this item is incorporated herein by reference to Note 11 included in Part I, Item 1, Financial Statements (unaudited) — Notes to Consolidated Financial Statements.

Item 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Subsequent to the quarter, on October 13, 2015, the Company announced that its Board of Directors approved a share repurchase program, authorizing the Company to purchase up to $10.0 billion of the Company's shares of common stock. Share repurchases may be made at management's discretion from time to time on the open market or through privately negotiated transactions. The repurchase program has no time limit and may be suspended for periods or discontinued at any time. Any shares acquired will be available for general corporate purposes.

The following table provides information with respect to Common Stock purchases by the Company during the fiscal third quarter of 2015. The repurchases below also include the stock-for-stock option exercises that settled in the fiscal third quarter.

Period	Total Number of Shares Purchased[1]	Avg. Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
June 29, 2015 through July 26, 2015	433,486	100.25	—	—
July 27, 2015 through August 23, 2015	1,299,021	98.76	—	—
August 24, 2015 through September 27, 2015	1,359,986	95.69	—	—
Total	3,092,493		—	

(1) During the fiscal third quarter of 2015, the Company repurchased an aggregate of 3,092,493 shares of Johnson & Johnson Common Stock in open-market transactions as part of a systematic plan to meet the needs of the Company's compensation programs.

(2) The previous repurchase program announced on July 21, 2014 concluded on April 28, 2015.

Table of Contents

Item 6 — EXHIBITS

Exhibit 31.1 Certifications under Rule 13a-14(a) of the Securities Exchange Act pursuant to Section 302 of the Sarbanes- Oxley Act of 2002 — Filed with this document.

Exhibit 32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 — Furnished with this document.

Exhibit 101 XBRL (Extensible Business Reporting Language) The following materials from Johnson & Johnson’s Quarterly Report on Form 10-Q for the quarter ended September 27, 2015, formatted in Extensive Business Reporting Language (XBRL), (i) consolidated balance sheets, (ii) consolidated statements of earnings, (iii) consolidated statements of comprehensive income (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	JOHNSON & JOHNSON (Registrant)
Date: October 30, 2015	By /s/ D. J. CARUSO D. J. CARUSO Vice President, Finance; Chief Financial Officer (Principal Financial Officer)
Date: October 30, 2015	By /s/ R. A. KAPUSTA R. A. KAPUSTA Controller (Principal Accounting Officer)

48