

FTI CONSULTING INC
Form 10-Q
May 09, 2007
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2007

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 001-14875

FTI CONSULTING, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of Incorporation or Organization)

52-1261113
(I.R.S. Employer Identification No.)

500 East Pratt Street, Suite 1400, Baltimore, Maryland
(Address of Principal Executive Offices)

21202
(Zip Code)

(410) 951-4800

(Registrant's telephone number, including area code)

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 a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated filer Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	Outstanding at April 30, 2007
Common stock, par value \$0.01 per share	42,727,590

Table of Contents

FTI CONSULTING, INC. AND SUBSIDIARIES

INDEX

	Page
PART I	
<u>FINANCIAL INFORMATION</u>	
Item 1.	
<u>Condensed Consolidated Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets December 31, 2006 and March 31, 2007</u>	3
<u>Condensed Consolidated Statements of Income Three months ended March 31, 2006 and 2007</u>	4
<u>Condensed Consolidated Statement of Stockholders Equity Three months ended March 31, 2007</u>	5
<u>Condensed Consolidated Statements of Cash Flows Three months ended March 31, 2006 and 2007</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 3.	
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	42
Item 4.	
<u>Controls and Procedures</u>	43
PART II	
<u>OTHER INFORMATION</u>	
Item 1.	
<u>Legal Proceedings</u>	45
Item 1A.	
<u>Risk Factors</u>	45
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 3.	
<u>Defaults upon Senior Securities</u>	46
Item 4.	
<u>Submission of Matters to a Vote of Security Holders</u>	46
Item 5.	
<u>Other Information</u>	46
Item 6.	
<u>Exhibits</u>	47
<u>SIGNATURES</u>	48

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements**
FTI Consulting, Inc. and Subsidiaries**Condensed Consolidated Balance Sheets**

(in thousands, except per share data)

	December 31, 2006	March 31, 2007 (unaudited)
Assets		
Current assets		
Cash and cash equivalents	\$ 91,923	\$ 38,183
Accounts receivable		
Billed receivables	135,220	148,871
Unbilled receivables	56,228	71,758
Allowance for doubtful accounts and unbilled services	(20,351)	(24,869)
	171,097	195,760
Notes receivable	7,277	10,571
Prepaid expenses and other current assets	16,259	15,286
Deferred income taxes	8,393	8,897
Total current assets	294,949	268,697
Property and equipment, net	51,326	61,076
Goodwill	885,711	900,291
Other intangible assets, net	77,711	76,268
Notes receivable, net of current portion	35,303	56,298
Other assets	46,156	46,274
Total assets	\$ 1,391,156	\$ 1,408,904
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 77,914	\$ 65,727
Accrued compensation	76,765	49,567
Current portion of long-term debt	6,917	15,013
Billings in excess of services provided	16,863	17,657
Total current liabilities	178,459	147,964
Long-term debt, net of current portion	563,441	563,815
Deferred income taxes	57,782	57,874
Other liabilities	26,374	38,274
Commitments and contingent liabilities (notes 3, 5, 6 and 7)		
Stockholders equity		
Preferred stock, \$0.01 par value; shares authorized 5,000; none outstanding		
Common stock, \$0.01 par value; shares authorized 75,000; shares issued and outstanding 41,890 (2006) and 42,629 (2007)	419	426
Additional paid-in capital	294,350	314,766
Retained earnings	268,937	284,199

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Accumulated other comprehensive income	1,394	1,586
Total stockholders' equity	565,100	600,977
Total liabilities and stockholders' equity	\$ 1,391,156	\$ 1,408,904

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

Table of Contents**FTI Consulting, Inc. and Subsidiaries****Condensed Consolidated Statements of Income**

(in thousands, except per share data)

Unaudited

	Three Months Ended	
	March 31,	
	2006	2007
Revenues	\$ 169,264	\$ 227,725
Operating expenses		
Direct cost of revenues	95,259	126,181
Selling, general and administrative expense	43,226	60,358
Amortization of other intangible assets	2,954	2,737
	141,439	189,276
Operating income	27,825	38,449
Other income (expense)		
Interest income	921	496
Interest expense and other	(5,883)	(10,964)
Litigation settlement losses, net	(264)	(741)
	(5,226)	(11,209)
Income before income tax provision	22,599	27,240
Income tax provision	10,312	11,978
Net income	\$ 12,287	\$ 15,262
Earnings per common share basic	\$ 0.31	\$ 0.37
Earnings per common share diluted	\$ 0.31	\$ 0.36

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

Table of Contents**FTI Consulting, Inc. and Subsidiaries****Condensed Consolidated Statement of Stockholders Equity**

(in thousands)

Unaudited

	Common Stock			Accumulated		
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income	Total
Balance, January 1, 2007	41,890	\$ 419	\$ 294,350	\$ 268,937	\$ 1,394	\$ 565,100
Issuance of common stock in connection with:						
Exercise of options, including income tax benefit of \$924	237	2	5,663			5,665
Employee stock purchase plan and other	141	1	3,206			3,207
Restricted share grants	179	2	(2)			
Business combinations	182	2	5,436			5,438
Share-based compensation			6,113			6,113
Comprehensive income:						
Cumulative translation adjustment					192	192
Net income				15,262		15,262
Total comprehensive income						15,454
Balance, March 31, 2007	42,629	\$ 426	\$ 314,766	\$ 284,199	\$ 1,586	\$ 600,977

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

Table of Contents**FTI Consulting, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows**

(in thousands)

Unaudited

	Three Months Ended	
	2006	March 31, 2007
Operating activities		
Net income	\$ 12,287	\$ 15,262
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and other amortization	3,049	3,958
Amortization of other intangible assets	2,954	2,737
Provision for doubtful accounts	2,816	2,199
Non-cash share-based compensation	3,713	5,389
Excess tax benefits from share-based compensation	(132)	(679)
Non-cash interest expense	604	891
Other	(15)	22
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(35,476)	(27,586)
Notes receivable	(10,515)	(24,476)
Prepaid expenses and other assets	(319)	842
Accounts payable, accrued expenses and other	3,121	20,761
Accrued special termination charges		(3,235)
Income taxes	3,039	1,667
Accrued compensation	(24,291)	(25,324)
Billings in excess of services provided	1,368	654
Net cash used in operating activities	(37,797)	(26,918)
Investing activities		
Payments for acquisition of businesses, including contingent payments and acquisition costs, net of cash received	(51,475)	(19,003)
Purchases of property and equipment	(3,237)	(13,789)
Other	339	240
Net cash used in investing activities	(54,373)	(32,552)
Financing activities		
Borrowings under revolving line of credit		15,000
Payments of revolving line of credit		(15,000)
Purchase and retirement of common stock	(15,333)	
Issuance of common stock under equity compensation plans	1,577	4,882
Excess tax benefits from share-based compensation	132	679
Other	51	(11)
Net cash (used in) provided by financing activities	(13,573)	5,550
Effect of exchange rate changes on cash		180

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Net decrease in cash and cash equivalents	(105,743)	(53,740)
Cash and cash equivalents, beginning of period	153,383	91,923
Cash and cash equivalents, end of period	\$ 47,640	\$ 38,183

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

Table of Contents

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(amounts in tables expressed in thousands, except per share data)

Unaudited