

FTI CONSULTING INC
Form 10-Q
May 06, 2010
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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, 2010

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.

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(Exact Name of Registrant as Specified in its Charter)

| | |
|---|--|
| Maryland (State or Other Jurisdiction of Incorporation or Organization) 777 South Flagler Drive, Suite 1500 West Tower, West Palm Beach, Florida (Address of Principal Executive Offices) | 52-1261113 (I.R.S. Employer Identification No.) 33401 (Zip Code) |
| (561) 515-1900 (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 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 Act). Yes No

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

| Class | Outstanding at April 28, 2010 |
|--|-------------------------------|
| Common stock, par value \$0.01 per share | 46,971,477 |

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FTI CONSULTING, INC. AND SUBSIDIARIES

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

(in thousands, except per share amounts)

Unaudited

Item 1. Financial Statements

| | March 31, 2010 (Unaudited) | December 31, 2009 |
|--|---|------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 80,878 | \$ 118,872 |
| Accounts receivable: | | |
| Billed receivables | 243,045 | 241,911 |
| Unbilled receivables | 135,911 | 104,959 |
| Allowance for doubtful accounts and unbilled services | (63,728) | (59,328) |
| Accounts receivable, net | 315,228 | 287,542 |
| Notes receivable | 24,761 | 20,853 |
| Prepaid expenses and other current assets | 32,199 | 52,172 |
| Deferred income taxes | 25,444 | 20,476 |
| Total current assets | 478,510 | 499,915 |
| Property and equipment, net of accumulated depreciation | 79,645 | 80,678 |
| Goodwill | 1,185,552 | 1,195,949 |
| Other intangible assets, net of amortization | 168,012 | 175,962 |
| Notes receivable, net of current portion | 79,407 | 69,213 |
| Other assets | 54,496 | 55,621 |
| Total assets | \$ 2,045,622 | \$ 2,077,338 |
| Liabilities and Stockholders Equity | | |
| Current liabilities | | |
| Accounts payable, accrued expenses and other | \$ 74,468 | \$ 81,193 |
| Accrued compensation | 101,164 | 152,807 |
| Current portion of long-term debt and capital lease obligations | 143,613 | 138,101 |
| Billings in excess of services provided | 31,743 | 34,101 |
| Total current liabilities | 350,988 | 406,202 |
| Long-term debt and capital lease obligations, net of current portion | 417,260 | 417,397 |
| Deferred income taxes | 99,954 | 95,704 |
| Other liabilities | 58,768 | 53,821 |
| Total liabilities | 926,970 | 973,124 |

Commitments and contingent liabilities (notes 8, 10 and 11)

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| | | |
|---|---------------------|---------------------|
| 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 46,967 (2010) and 46,985 (2009) | 470 | 470 |
| Additional paid-in capital | 552,198 | 535,754 |
| Retained earnings | 629,714 | 615,529 |
| Accumulated other comprehensive loss | (63,730) | (47,539) |
| Total stockholders equity | 1,118,652 | 1,104,214 |
| Total liabilities and stockholders equity | \$ 2,045,622 | \$ 2,077,338 |

See accompanying notes to the 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, | |
|---|---|-------------|
| | 2010 | 2009 |
| Revenues | \$ 350,040 | \$ 347,846 |
| Operating expenses | | |
| Direct cost of revenues | 197,460 | 192,412 |
| Selling, general and administrative expense | 84,401 | 88,753 |
| Special charges | 30,245 | |
| Amortization of other intangible assets | 6,091 | 6,050 |
| | 318,197 | 287,215 |
| Operating income | 31,843 | 60,631 |
| Other income (expense) | | |
| Interest income and other | 2,354 | 2,303 |
| Interest expense | (11,318) | (11,013) |
| | (8,964) | (8,710) |
| Income before income tax provision | 22,879 | 51,921 |
| Income tax provision | 8,694 | 20,249 |
| Net income | \$ 14,185 | \$ 31,672 |
| Earnings per common share basic | \$ 0.31 | \$ 0.63 |
| Earnings per common share diluted | \$ 0.29 | \$ 0.60 |

See accompanying notes to the condensed consolidated financial statements

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

(in thousands)

Unaudited

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|--|--------------|--------|----------------------------------|----------------------|---|--------------|
| | Shares | Amount | | | | |
| Balance January 1, 2010 | 46,985 | \$ 470 | \$ 535,754 | \$ 615,529 | \$ (47,539) | \$ 1,104,214 |
| Comprehensive income: | | | | | | |
| Cumulative translation adjustment, net of income taxes of \$0 | | | | | (16,191) | (16,191) |
| Net income | | | | 14,185 | | 14,185 |
| Total comprehensive loss | | | | | | (2,006) |
| Issuance of common stock in connection with: | | | | | | |
| Exercise of options, including income tax benefit from share-based awards of \$758 | 136 | 1 | 3,376 | | | 3,377 |
| Restricted share grants, less net settled shares of 43 | 427 | 5 | (1,792) | | | (1,787) |
| Stock units issued under incentive compensation plan | | | 6,531 | | | 6,531 |
| Business combinations | | | 235 | | | 235 |
| Purchase and retirement of common stock | (581) | (6) | 6 | | | |
| Share-based compensation | | | 8,088 | | | 8,088 |
| Balance March 31, 2010 | 46,967 | \$ 470 | \$ 552,198 | \$ 629,714 | \$ (63,730) | \$ 1,118,652 |

See accompanying notes to the condensed consolidated financial statements

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

(in thousands)

Unaudited

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2010 | 2009 |
| Operating activities | | |
| Net income | \$ 14,185 | \$ 31,672 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 7,703 | 7,032 |
| Amortization of other intangible assets | 6,091 | 6,050 |
| Provision for doubtful accounts | 3,010 | 6,788 |
| Non-cash share-based compensation | 7,394 | 6,445 |
| Excess tax benefits from share-based compensation | (754) | (185) |
| Non-cash interest expense | 1,800 | 1,854 |
| Other | (476) | (604) |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable, billed and unbilled | (32,291) | (41,148) |
| Notes receivable | (14,971) | (3,836) |
| Prepaid expenses and other assets | 6,826 | 943 |
| Accounts payable, accrued expenses and other | 20,909 | (2,896) |
| Income taxes | (13,182) | 9,614 |
| Accrued compensation | | |