

FTI CONSULTING INC
Form 10-Q
August 08, 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 June 30, 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

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

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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 July 31, 2007
Common stock, par value \$0.01 per share	42,954,168

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 June 30, 2007</u>	3
<u>Condensed Consolidated Statements of Income Three and six months ended June 30, 2006 and 2007</u>	4
<u>Condensed Consolidated Statement of Stockholders Equity Six months ended June 30, 2007</u>	5
<u>Condensed Consolidated Statements of Cash Flows Six months ended June 30, 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>	29
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	47
Item 4. <u>Controls and Procedures</u>	49
PART II	
<u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	50
Item 1A. <u>Risk Factors</u>	50
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
Item 3. <u>Defaults upon Senior Securities</u>	51
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	51
Item 5. <u>Other Information</u>	51
Item 6. <u>Exhibits</u>	52
<u>SIGNATURES</u>	53

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)

	June 30,	December 31,
	2007	2006
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 30,255	\$ 91,923
Accounts receivable		
Billed receivables	156,255	135,220
Unbilled receivables	83,566	56,228
Allowance for doubtful accounts and unbilled services	(23,356)	(20,351)
	216,465	171,097
Notes receivable	12,079	7,277
Prepaid expenses and other current assets	17,754	16,259
Deferred income taxes	8,995	8,393
Total current assets	285,548	294,949
Property and equipment, net	64,688	51,326
Goodwill	902,748	885,711
Other intangible assets, net	73,520	77,711
Notes receivable, net of current portion	55,849	35,303
Other assets	46,946	46,156
Total assets	\$ 1,429,299	\$ 1,391,156
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 50,564	\$ 77,914
Accrued compensation	62,908	76,765
Current portion of long-term debt	15,015	6,917
Billings in excess of services provided	18,427	16,863
Total current liabilities	146,914	178,459
Long-term debt, net of current portion	562,508	563,441
Deferred income taxes	58,440	57,782
Other liabilities	39,363	26,374
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 42,565 (2007) and 41,890 (2006)	425	419

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Additional paid-in capital	312,012	294,350
Retained earnings	307,281	268,937
Accumulated other comprehensive income	2,356	1,394
Total stockholders' equity	622,074	565,100
Total liabilities and stockholders' equity	\$ 1,429,299	\$ 1,391,156

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		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues	\$ 239,692	\$ 159,760	\$ 467,417	\$ 329,024
Operating expenses				
Direct cost of revenues	131,349	90,083	257,530	185,342
Selling, general and administrative expense	61,910	38,610	122,268	81,836
Amortization of other intangible assets	2,748	2,805	5,485	5,759
	196,007	131,498	385,283	272,937
Operating income	43,685	28,262	82,134	56,087
Other income (expense)				
Interest income	1,824	555	2,320	1,476
Interest expense and other	(10,737)	(6,006)	(21,701)	(11,889)
Litigation settlement losses, net	(167)	(5)	(908)	(269)
	(9,080)	(5,456)	(20,289)	(10,682)
Income before income tax provision	34,605	22,806	61,845	45,405
Income tax provision	11,523	10,139	23,501	20,451
Net income	\$ 23,082	\$ 12,667	\$ 38,344	\$ 24,954
Earnings per common share basic	\$ 0.56	\$ 0.32	\$ 0.92	\$ 0.64
Earnings per common share diluted	\$ 0.53	\$ 0.32	\$ 0.89	\$ 0.62

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			Retained Earnings	Accumulated	
	Shares	Amount	Additional Paid-in Capital		Other Comprehensive Income	Total
Balance, January 1, 2007	41,890	\$ 419	\$ 294,350	\$ 268,937	\$ 1,394	\$ 565,100
Comprehensive income:						
Cumulative translation adjustment					962	962
Net income				38,344		38,344
Total comprehensive income						39,306
Issuance of common stock in connection with:						
Exercise of options, including income tax benefit of \$3,213	579	6	14,751			14,757
Employee stock purchase plan and other	141	1	3,206			3,207
Restricted share grants	245	2	(2)			
Business combinations	210	2	6,420			6,422
Purchase and retirement of common stock	(500)	(5)	(18,111)			(18,116)
Share-based compensation			11,398			11,398
Balance, June 30, 2007	42,565	\$ 425	\$ 312,012	\$ 307,281	\$ 2,356	\$ 622,074

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

	Six Months Ended June 30,	
	2007	2006
Operating activities		
Net income	\$ 38,344	\$ 24,954
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and other amortization	8,384	6,174
Amortization of other intangible assets	5,485	5,759
Provision for doubtful accounts	3,804	3,647
Non-cash share-based compensation	11,034	6,671
Excess tax benefits from share-based compensation	(2,854)	(805)
Non-cash interest expense	1,632	1,200
Other	(284)	(15)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(51,418)	(31,235)
Notes receivable	(25,659)	(26,843)
Prepaid expenses and other assets	(1,156)	(2,113)
Accounts payable, accrued expenses and other	13,944	5,602
Accrued special termination charges	(5,943)	
Income taxes	(3,175)	(2,268)
Accrued compensation	(11,074)	(21,431)
Billings in excess of services provided	1,424	656