

FTI CONSULTING INC
Form 10-Q
August 07, 2006
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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, 2006

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 July 31, 2006
Common stock, par value \$0.01 per share	40,225,133

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FTI CONSULTING, INC. AND SUBSIDIARIES

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

(in thousands, except per share data)

	December 31, 2005	June 30, 2006 (unaudited)
Assets		
Current assets		
Cash and cash equivalents	\$ 153,383	\$ 37,582
Accounts receivable		
Billed receivables	87,947	106,716
Unbilled receivables	56,871	71,445
Allowance for doubtful accounts and unbilled services	(17,330)	(18,154)
	127,488	160,007
Notes receivable	2,713	6,271
Prepaid expenses and other current assets	8,147	13,264
Deferred income taxes	6,404	9,425
Total current assets	298,135	226,549
Property and equipment, net	29,302	31,349
Goodwill	576,612	637,985
Other intangible assets, net	21,454	23,195
Cash held in escrow to acquire business		9,000
Notes receivable, net of current portion	6,516	29,801
Other assets	27,445	26,798
Total assets	\$ 959,464	\$ 984,677
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 21,762	\$ 20,460
Accrued compensation	72,688	50,733
Billings in excess of services provided	10,477	11,150
Total current liabilities	104,927	82,343
Long-term debt, net of current portion	348,431	346,458
Deferred income taxes	33,568	38,491
Other liabilities	18,269	21,136
Commitments and contingent liabilities (notes 3, 5, 6, 7 and 10)		
Stockholders equity		
Preferred stock, \$0.01 par value; 5,000 shares authorized; none outstanding		
Common stock, \$0.01 par value; 75,000 shares authorized; 39,009 shares issued and outstanding 2005; and 39,878 shares issued and outstanding 2006	390	399

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Additional paid-in capital	238,055	243,983
Unearned compensation	(11,089)	
Retained earnings	226,913	251,867
Total stockholders' equity	454,269	496,249
Total liabilities and stockholders' equity	\$ 959,464	\$ 984,677

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

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

(in thousands, except per share data)

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2006	2005	2006
Revenues	\$ 123,917	\$ 159,760	\$ 240,531	\$ 329,024
Operating expenses				
Direct cost of revenues	65,192	90,083	129,537	185,342
Selling, general and administrative expense	29,290	38,610	57,443	81,836
Amortization of other intangible assets	1,608	2,805	2,357	5,759
	96,090	131,498	189,337	272,937
Operating income	27,827	28,262	51,194	56,087
Other income (expense)				
Interest income	197	555	364	1,476
Interest expense and other	(2,507)	(6,006)	(4,229)	(11,889)
Litigation settlement losses, net	(708)	(5)	(1,012)	(269)
	(3,018)	(5,456)	(4,877)	(10,682)
Income before income tax provision	24,809	22,806	46,317	45,405
Income tax provision	10,420	10,139	19,453	20,451
Net income	\$ 14,389	\$ 12,667	\$ 26,864	\$ 24,954
Earnings per common share basic	\$ 0.34	\$ 0.32	\$ 0.63	\$ 0.64
Earnings per common share diluted	\$ 0.33	\$ 0.32	\$ 0.62	\$ 0.62

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

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

(in thousands)

Unaudited

	Common Stock		Additional	Unearned	Retained	Total
	Shares	Amount	Paid-in Capital	Compensation	Earnings	
Balance, January 1, 2006	39,009	\$ 390	\$ 238,055	\$ (11,089)	\$ 226,913	\$ 454,269
Issuance of common stock in connection with:						
Exercise of options, including income tax benefit of \$1,040	254	3	5,313			5,316
Employee stock purchase plan	145	2	2,572			2,574
Restricted share grants, net of forfeitures	137	1	(1)			
Business combination	933	9	26,079			26,088
Purchase and retirement of common stock	(600)	(6)	(23,370)			(23,376)
Reclassification due to adoption of new accounting standard (note 2)			(11,089)	11,089		
Stock-based compensation			6,424			6,424
Net income					24,954	24,954
Balance, June 30, 2006	39,878	\$ 399	\$ 243,983	\$	\$ 251,867	\$ 496,249

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

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

(in thousands)

Unaudited

	Six Months Ended	
	2005	June 30, 2006
Operating activities		
Net income	\$ 26,864	\$ 24,954
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and other amortization	5,312	6,174
Amortization of other intangible assets	2,357	5,759
Provision for doubtful accounts, net	792	3,647
Non-cash stock-based compensation	906	6,671
Income tax benefit from stock option exercises and other	118	
Excess tax benefits from stock-based compensation		(805)
Non-cash interest expense	810	1,200
Other	724	(15)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(25,022)	(31,235)
Notes receivable	1,216	(26,843)
Prepaid expenses and other assets	(1,155)	(2,113)
Accounts payable, accrued expenses and other	96	5,602
Income taxes payable	2,841	(2,268)
Accrued compensation	689	(21,431)
Billings in excess of services provided	(574)	656
Net cash provided by (used in) used in operating activities	15,974	(30,047)
Investing activities		
Payments for acquisition of businesses, including contingent payments and acquisition costs, net of cash received	(46,651)	(50,201)
Cash placed in escrow to acquire business		