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CB RICHARD ELLIS GROUP INC Form 10-Q November 08, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2005

o 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 32205

CB RICHARD ELLIS GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

100 N. Sepulveda Boulevard, Suite 1050 El Segundo, California

(Address of principal executive offices)

(310) 606-4700

(Registrant s telephone number, including area code)

94-3391143

(I.R.S. Employer Identification Number)

90245

(Zip Code)

(Former name, former address and former fiscal year if changed since last report)

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 ý No o

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes o No \acute{y} .

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No \acute{v} .

The number of shares of Class A common stock outstanding at October 31, 2005 was 73,219,447.

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September 30, 2005

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CB RICHARD ELLIS GROUP, INC. CONSOLIDATED BALANCE SHEETS (Dollars in thousands, except share data)

Carriert Assetts		September 30, 2005 (Unaudited)	December 31, 2004
Cash and cash equivalents \$ 284,511 \$ 256,896 Restricted cash 5,962 9,213 Receivables, less allowance for doubtful accounts of \$17,716 and \$14,811 at September 30, 2004, respectively 355,882 394,062 2005 and December 31, 2004, respectively 346,682 384,062 486,068 387,888 394,062 486,068 68,586 68,586 68,586 68,586 69,586 68,586 69,585 72,122 Property held for sale 37,188 37,188 72,122 Property held for sale 906,985 863,695	ASSETS	(======================================	
Restricted cash 5,962 9,213 Receivables, less allowance for doubtful accounts of \$17,716 and \$14,811 at September 30, 2004, respectively 355,882 394,062 Warehouse receivable 116,480 18,233 Prepaid expenses 22,067 23,122 Property held for sale 37,188 Other current assets 18,341 15,838 Other current assets 18,341 15,838 Property had equipment, net 133,439 137,703 Goodwill 841,449 82,1508 Goodwill 841,449 82,1508 Feptember 30, 2005 and December 31, 2004, respectively 109,919 113,635 September 30, 2005 and December 31, 2004, respectively 109,919 113,635 Deferred compensation assets 82,55 83,501 Investments in and advances to unconsolidated subsidiaries 98,255 83,501 Investments in and advances to unconsolidated subsidiaries 98,255 83,501 Investment is paylable and accrued expenses \$130,000 70,527 Total Assets \$193,009 \$185,877 Compensation an	Current Assets:		
Receivables, less allowance for doubful accounts of \$17.716 and \$14.811 at September 30, 2004, respectively	Cash and cash equivalents	\$ 284,571	\$ 256,896
2005 and December 31, 2004, respectively 355,882 349,402 Warehouse receivable 146,480 138,233 Prepaid expenses 32,904 26,586 Deferred tax assets, net 25,657 23,122 Property lad for sale 37,188 10 Other current assets 18,341 15,583 Total Current Rosets 906,985 863,095 Property and equipment, net 133,439 137,703 Goodwill 841,49 821,508 Other intangible assets, net of accumulated amortization of \$99,946 and \$95,373 at 81,499 113,633 Peferred for 30,005 and December 31, 2004, respectively 109,919 113,653 Deferred to assets, net of accumulated assidiaries 98,255 83,501 Deferred tax assets, net 63,966 70,527 Total Assets \$ 2,380,71 \$ 2,271,636 LIABILITIES AND STOCKHOLDERS EQUITY Laye tax assets, net 63,966 70,527 Total Assets \$ 193,009 \$ 185,877 Compensation and employee benefits payable 181,249 150,722<	Restricted cash	5,962	9,213
Warchouse receivable 146,480 138,233 Prepraid expenses 32,904 26,586 Deferred tux assets, net 25,657 23,122 Property held for sale 37,188 Other current assets 906,985 863,695 Total Current Assets 906,985 863,695 Topperty and equipment, net 133,339 137,703 Goodwill 841,449 821,508 Other intangible assets, net of accumulated amortization of \$99,946 and \$95,373 at 109,919 113,653 September 30, 2005 and December 31, 2004, respectively 109,919 113,653 Deferred tax assets, net of accumulated subsidiaries 98,255 83,501 Deferred tax assets, net of accumulated subsidiaries 98,255 83,501 Deferred tax assets, net of counts assets 109,919 113,653 Deferred tax assets, net of counts assets 18,399 87,471 Other assets, net of accumulated subsidiaries \$2,380,701 \$2,216,606 Current Liabilities \$2,380,701 \$185,877 Current Liabilities \$2,380,701 \$185,877 Com	Receivables, less allowance for doubtful accounts of \$17,716 and \$14,811 at September 30,		
Prepaid expenses 32,04 26,586 Deferred tax assets, net 25,657 23,122 Property held for sale 37,188 115,583 Other current assets 18,341 15,583 Total Current Rosets 906,985 863,695 Property and equipment, net 133,439 137,703 Goodwill 81,444 82,505 Property and equipment, net 133,439 137,703 Goodwill 10,919 113,653 Poperty and equipment, net 10,919 113,653 Engerheer 30, 2005 and December 31, 2004, respectively 109,919 113,653 Deferred compensation assets 83,998 78,471 Deferred tax assets, net 63,966 70,527 Investments in and advances to unconsolidated subsidiaries 83,998 78,471 Deferred tax assets, net 63,966 70,527 Total Assets \$193,009 \$185,877 Total Assets \$193,009 \$185,877 Compensation and employee benefits payable 181,249 150,720 Accouds payable and a	2005 and December 31, 2004, respectively	355,882	394,062
Deferred tax assets, net 25,57 23,122 Property held for sale 37,188 37,188 Other current assets 80,955 863,695 Total Current Assets 906,955 863,695 Property and equipment, net 133,439 137,705 Goodwill 841,449 821,508 Other intangible assets, net of accumulated amortization of \$99,946 and \$95,373 at 109,919 113,653 Deferred compensation assets 142,690 102,578 Investments in and advances to unconsolidated subsidiaries 88,255 83,501 Deferred tax assets, net 63,966 70,527 Other assets, net 63,966 70,527 Total Assets \$ 2,380,701 \$ 2,271,636 LIABILITIES AND STOCKHOLDERS EQUITY Current Liabilities: Accounts payable and accrued expenses \$ 193,009 \$ 185,877 Compensation and employee benefits payable 181,249 150,721 Compensation and employee benefits payable 181,249 150,721 Compensation and profit sharing 210,698 271,020	Warehouse receivable	146,480	138,233
Deferred tax assets, net 25,57 23,122 Property held for sale 37,188 37,188 Other current assets 80,955 863,695 Total Current Assets 906,955 863,695 Property and equipment, net 133,439 137,705 Goodwill 841,449 821,508 Other intangible assets, net of accumulated amortization of \$99,946 and \$95,373 at 109,919 113,653 Deferred compensation assets 142,690 102,578 Investments in and advances to unconsolidated subsidiaries 88,255 83,501 Deferred tax assets, net 63,966 70,527 Other assets, net 63,966 70,527 Total Assets \$ 2,380,701 \$ 2,271,636 LIABILITIES AND STOCKHOLDERS EQUITY Current Liabilities: Accounts payable and accrued expenses \$ 193,009 \$ 185,877 Compensation and employee benefits payable 181,249 150,721 Compensation and employee benefits payable 181,249 150,721 Compensation and profit sharing 210,698 271,020	Prepaid expenses	32,904	26,586
Other current assets 18.341 15.583 Total Current Assets 906.985 86.3695 Property and equipment, net 133.439 137.703 Goodwill 841.449 821.508 Other intangible assets, net of accumulated amortization of \$99.946 and \$95.373 at 109.919 113.653 Deferred compensation assets 142.690 102.578 Investments in and advances to unconsolidated subsidiaries 98.255 83.501 Deferred tax assets, net 63.966 70.527 Other assets, net 63.966 70.527 Total Assets \$ 2,380,701 \$ 2,271.636 Current Liabilities Current Liabilities Accounts payable and accrued expenses \$ 193,009 \$ 185,877 Compensation and employee benefits payable 181,249 150,721 Accrued bonus and profit sharing 10.698 271,020 Income taxes payable 19.346 182,233 Debr related to property held for sale 19.267 150,699 Other current borrowings 19.267 159,969 Curren	Deferred tax assets, net	25,657	23,122
Other current assets 18.341 15.583 Total Current Assets 906.985 86.3695 Property and equipment, net 133.439 137.703 Goodwill 841.449 821.508 Other intangible assets, net of accumulated amortization of \$99.946 and \$95.373 at 109.919 113.653 Deferred compensation assets 142.690 102.578 Investments in and advances to unconsolidated subsidiaries 98.255 83.501 Deferred tax assets, net 63.966 70.527 Other assets, net 63.966 70.527 Total Assets \$ 2,380,701 \$ 2,271.636 Current Liabilities Current Liabilities Accounts payable and accrued expenses \$ 193,009 \$ 185,877 Compensation and employee benefits payable 181,249 150,721 Accrued bonus and profit sharing 10.698 271,020 Income taxes payable 19.346 182,233 Debr related to property held for sale 19.267 150,699 Other current borrowings 19.267 159,969 Curren	Property held for sale	37,188	
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Other intangible assets, net of accumulated amortization of \$99,946 and \$95,373 at 109,91 113,653 September 30, 2005 and December 31, 2004, respectively 109,91 102,578 Investments in and advances to unconsolidated subsidiaries 98,255 83,501 Deferred tax assets, net 63,96 70,527 Total Assets 2,380,701 \$ 2,380,701 \$ 2,271,636 LABILITIES AND STOCKHOLDERS EQUITY Current Liabilities Current Liabilities Accounts payable and accrued expenses \$ 193,009 \$ 185,877 Compensation and employee benefits payable 181,249 50,721 Accrued bonus and profit sharing 210,68 271,020 Income taxes payable 19,346 182,233 Bort-teated to property held for sale 19,346 182,233 Debt related to property held for sale 16,983 21,736 Other 16,983 21,736 Total short-term borrowings 192,679 159,969 Current maturities of long-term debt 11,911 11,954 Other current Liabilities 826,6	Goodwill		
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Investments in and advances to unconsolidated subsidiaries		142,690	102,578
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Accounts payable and accrued expenses \$ 193,009 \$ 185,877 Compensation and employee benefits payable 181,249 150,721 Accrued bonus and profit sharing 210,698 271,020 Income taxes payable 19,346 Short-term borrowings: **** Warehouse line of credit 146,480 138,233 Debt related to property held for sale 29,216 *** Other 16,983 21,736 Total short-term borrowings 192,679 159,969 Current maturities of long-term debt 11,911 11,911 Other current liabilities 17,807 29,547 Total Current Liabilities 826,699 809,088 Long-Term Debt: *** *** 114% senior subordinated notes, net of unamortized discount of \$1,702 and *** *** \$2,337 at September 30, 2005 and December 31, 2004, respectively 162,967 205,032 Senior secured term loan 256,400 265,250 94% senior notes 130,000 130,000 Other long-term debt 2,673 602			
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\$2,337 at September 30, 2005 and December 31, 2004, respectively 162,967 205,032 Senior secured term loan 256,400 265,250 9¾% senior notes 130,000 130,000 Other long-term debt 2,673 602 Total Long-Term Debt 552,040 600,884 Deferred compensation liability 166,463 160,281 Pension liability 25,625 27,871 Other liabilities 100,400 107,639	Long-Term Debt:		
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Deferred compensation liability 166,463 160,281 Pension liability 25,625 27,871 Other liabilities 100,400 107,639			
Pension liability 25,625 27,871 Other liabilities 100,400 107,639			
Other liabilities 100,400 107,639			
	Total Liabilities	1,671,227	1,705,763

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Commitments and contingencies		
Minority interest	6,568	5,925
Stockholders Equity:		
Class A common stock; \$0.01 par value; 325,000,000 shares authorized; 73,144,131 and		
71,031,429 shares issued and outstanding at September 30, 2005 and December 31, 2004,		
respectively	731	710
Additional paid-in capital	537,868	513,801
Notes receivable from sale of stock	(121)	(433)
Accumulated earnings	188,103	66,174
Accumulated other comprehensive loss	(23,675)	(20,304)
Total Stockholders Equity	702,906	559,948
Total Liabilities and Stockholders Equity	\$ 2,380,701 \$	2,271,636

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

CB RICHARD ELLIS GROUP, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended September 30,			Nine Months Ended September 30,			
		2005		2004	2005		2004
Revenue	\$	744,198	\$	574,999	\$ 1,954,627	\$	1,566,907
Costs and expenses:							
Cost of services		380,943		300,711	987,680		797,544
Operating, administrative and other		255,706		213,226	720,657		643,016
Depreciation and amortization		11,665		12,340	32,853		40,001
Merger-related charges				4,040			25,574
Operating income		95,884		44,682	213,437		60,772
Equity income from unconsolidated							
subsidiaries		3,628		4,826	21,648		10,120
Interest income		413		1,262	5,916		4,099
Interest expense		13,840		15,509	40,812		53,934
Loss on extinguishment of debt		624		17,066	7,386		21,075
Income (loss) before provision for income							
taxes		85,461		18,195	192,803		(18)
Provision for income taxes		28,525		6,300	70,874		1,690
Net income (loss)	\$	56,936	\$	11,895	\$ 121,929	\$	(1,708)
Basic income (loss) per share	\$	0.77	\$	0.17	\$ 1.65	\$	(0.03)
Weighted average shares outstanding for basic income (loss) per share		74,177,337		71,446,359	73,834,169		66,006,231
Diluted income (loss) per share	\$	0.74	\$	0.16	\$ 1.59	\$	(0.03)
Weighted average shares outstanding for diluted income (loss) per share		76,777,271		75,184,418	76,444,808		66,006,231

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

CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30, 2005 2004		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 121,929	\$	(1,708)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	32,853		40,001
Amortization and write-off of deferred financing costs	4,703		10,094
Amortization and write-off of long-term debt discount	635		3,274
Deferred compensation deferrals	18,852		12,764
Write-off of impaired investments			2,990
Gain on sale of servicing rights and other assets	(3,534)		(5,789)
Equity income from unconsolidated subsidiaries	(21,648)		(10,120)
Distributions of earnings from unconsolidated subsidiaries	13,307		8,142
Provision for doubtful accounts	3,644		2,304
Deferred income taxes	3,289		(132)
Decrease in receivables	28,215		37,465
Increase in deferred compensation assets	(40,112)		(3,072)
(Increase) decrease in prepaid expenses and other assets	(11,192)		9,132
Increase (decrease) in accounts payable and accrued expenses	3,865		(22,185)
Decrease in compensation and employee benefits payable and accrued bonus and profit			
sharing	(25,125)		(41,843)
Increase (decrease) in income tax payable	26,925		(7,861)
(Decrease) increase in other liabilities	(24,725)		6,946
Tenant concessions received	2,428		10,632
Other operating activities, net	2,471		1,305
Net cash provided by operating activities	136,780		52,339
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(24,788)		(38,087)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of			
cash acquired	(29,137)		(16,784)
Investment in property held for sale	(65,774)		
Contributions to unconsolidated subsidiaries, net of capital distributions	(6,520)		(13,348)
Proceeds from the sale of servicing rights and other assets	3,023		5,607
Proceeds from sale of property held for sale	28,289		50,401
Decrease in restricted cash	3,152		5,040