

FTI CONSULTING INC
Form 10-Q
August 01, 2014
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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, 2014

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)

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| | |
|--|---|
| <p>Maryland (State or Other Jurisdiction of Incorporation or Organization) 1101 K Street NW, Washington, D.C. (Address of Principal Executive Offices)</p> | <p>52-1261113 (I.R.S. Employer Identification No.) 20005 (Zip Code)</p> |
| <p>(202) 312-9100 (Registrant's telephone number, including area code)</p> | |

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 | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input type="checkbox"/> |

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 July 28, 2014 |
|--|------------------------------|
| Common stock, par value \$0.01 per share | 40,946,943 |

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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)

Item 1. Financial Statements

| | June 30, 2014 (Unaudited) | December 31, 2013 |
|--|--|------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 94,412 | \$ 205,833 |
| Accounts receivable: | | |
| Billed receivables | 423,058 | 352,411 |
| Unbilled receivables | 296,299 | 233,307 |
| Allowance for doubtful accounts and unbilled services | (139,620) | (109,273) |
| Accounts receivable, net | 579,737 | 476,445 |
| Current portion of notes receivable | 29,911 | 33,093 |
| Prepaid expenses and other current assets | 52,162 | 61,800 |
| Current portion of deferred tax assets | 29,046 | 26,690 |
| Total current assets | 785,268 | 803,861 |
| Property and equipment, net of accumulated depreciation | 83,495 | 79,007 |
| Goodwill | 1,225,403 | 1,218,733 |
| Other intangible assets, net of amortization | 86,270 | 97,148 |
| Notes receivable, net of current portion | 131,707 | 108,298 |
| Other assets | 61,097 | 57,900 |
| Total assets | \$ 2,373,240 | \$ 2,364,947 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable, accrued expenses and other | \$ 96,005 | \$ 126,886 |
| Accrued compensation | 169,923 | 222,738 |
| Current portion of long-term debt | 6,000 | 6,014 |
| Billings in excess of services provided | 36,946 | 28,692 |
| Total current liabilities | 308,874 | 384,330 |
| Long-term debt, net of current portion | 711,000 | 711,000 |
| Deferred income taxes | 149,130 | 137,697 |
| Other liabilities | 96,316 | 89,661 |
| Total liabilities | 1,265,320 | 1,322,688 |
| Commitments and contingent liabilities (notes 8, 10 and 11) | | |
| Stockholders' equity | | |
| Preferred stock, \$0.01 par value; shares authorized 5,000; none outstanding | | |

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| | | |
|---|---------------------|---------------------|
| Common stock, \$0.01 par value; shares authorized 75,000; shares issued and outstanding 40,936 (2014) and 40,526 (2013) | 409 | 405 |
| Additional paid-in capital | 380,193 | 362,322 |
| Retained earnings | 765,985 | 730,621 |
| Accumulated other comprehensive loss | (38,667) | (51,089) |
| Total stockholders equity | 1,107,920 | 1,042,259 |
| Total liabilities and stockholders equity | \$ 2,373,240 | \$ 2,364,947 |

See accompanying notes to the condensed consolidated financial statements

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

(in thousands, except per share data)

Unaudited

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------|------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$ 454,324 | \$ 414,613 | \$ 879,876 | \$ 821,791 |
| Operating expenses | | | | |
| Direct cost of revenues | 295,549 | 259,528 | 569,824 | 518,008 |
| Selling, general and administrative expense | 107,032 | 96,325 | 215,419 | 192,972 |
| Special charges | 9,364 | | 9,364 | 427 |
| Acquisition-related contingent consideration | (5) | (7,452) | (1,848) | (6,721) |
| Amortization of other intangible assets | 3,452 | 5,953 | 8,068 | 11,517 |
| | 415,392 | 354,354 | 800,827 | 716,203 |
| Operating income | 38,932 | 60,259 | 79,049 | 105,588 |
| Other income (expense) | | | | |
| Interest income and other | 1,448 | (387) | 2,451 | 550 |
| Interest expense | (12,908) | (13,071) | (25,563) | (25,786) |
| | (11,460) | (13,458) | (23,112) | (25,236) |
| Income before income tax provision | 27,472 | 46,801 | 55,937 | 80,352 |
| Income tax provision | 10,225 | 23,315 | 20,573 | 33,186 |
| Net income | \$ 17,247 | \$ 23,486 | \$ 35,364 | \$ 47,166 |
| Earnings per common share basic | \$ 0.43 | \$ 0.60 | \$ 0.89 | \$ 1.20 |
| Earnings per common share diluted | \$ 0.42 | \$ 0.58 | \$ 0.87 | \$ 1.17 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments, net of tax \$0 | \$ 7,694 | \$ (11,714) | \$ 12,422 | \$ (27,223) |
| Total other comprehensive income (loss), net of tax | 7,694 | (11,714) | 12,422 | (27,223) |
| Comprehensive income | \$ 24,941 | \$ 11,772 | \$ 47,786 | \$ 19,943 |

See accompanying notes to the condensed consolidated financial statements

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FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders Equity

(in thousands)

Unaudited

| | Common Stock | | Additional | Retained | Accumulated | Total |
|--|--------------|--------|------------|------------|-------------|--------------|
| | Shares | Amount | Paid-in | Earnings | Other | |
| | | | Capital | | (Loss) | |
| Balance December 31, 2013 | 40,526 | \$ 405 | \$ 362,322 | \$ 730,621 | \$ (51,089) | \$ 1,042,259 |
| Net income | | | | 35,364 | | 35,364 |
| Other comprehensive income: | | | | | | |
| Cumulative translation adjustment | | | | | 12,422 | 12,422 |
| Issuance of common stock in connection with: | | | | | | |
| Exercise of options | 148 | 2 | 3,145 | | | 3,147 |
| Restricted share grants | 262 | | | | | |