

FTI CONSULTING INC
Form 10-Q
November 06, 2008
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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 September 30, 2008

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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Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

777 Flagler Drive, Suite 1500,
West Palm Beach, Florida
(Address of Principal Executive Offices)

52-1261113
(I.R.S. Employer
Identification No.)

33401
(Zip Code)

(561) 515-6078
(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, 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.

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Class	Outstanding at October 29, 2008
Common stock, par value \$0.01 per share	50,816,955

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FTI CONSULTING, INC. AND SUBSIDIARIES

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

(in thousands, except per share amounts)

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 146,177	\$ 360,463
Accounts receivable:		
Billed receivables	264,203	190,900
Unbilled receivables	118,344	84,743
Allowance for doubtful accounts and unbilled services	(45,633)	(30,467)
Accounts receivable, net	336,914	245,176
Notes receivable	14,909	11,687
Prepaid expenses and other current assets	30,341	33,657
Deferred income taxes	15,038	10,544
Total current assets	543,379	661,527
Property and equipment, net of accumulated depreciation	76,395	67,843
Goodwill	1,114,241	940,878
Other intangible assets, net of amortization	199,429	84,673
Notes receivable, net of current portion	54,646	52,374
Other assets	57,432	51,329
Total assets	\$ 2,045,522	\$ 1,858,624
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 61,399	\$ 103,410
Accrued compensation	127,435	102,054
Current portion of long-term debt	152,069	157,772
Billings in excess of services provided	21,878	17,826
Total current liabilities	362,781	381,062
Long-term debt, net of current portion	416,390	415,653
Deferred income taxes	72,642	49,113
Other liabilities	47,778	40,546
Commitments and contingent liabilities (notes 8, 10, and 11)		
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 (2008) and 48,979 (2007)	508	490
Additional paid-in capital	700,574	601,637

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Retained earnings	455,300	361,058
Accumulated other comprehensive (loss) income	(10,451)	9,065
Total stockholders' equity	1,145,931	972,250
Total liabilities and stockholders' equity	\$ 2,045,522	\$ 1,858,624

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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues	\$ 325,497	\$ 253,334	\$ 970,269	\$ 720,751
Operating expenses				
Direct cost of revenues	174,514	139,131	535,201	396,661
Selling, general and administrative expense	91,508	63,007	241,853	185,275
Amortization of other intangible assets	5,664	2,293	13,019	7,778
	271,686	204,431	790,073	589,714
Operating income	53,811	48,903	180,196	131,037
Other income (expense)				
Interest income	1,229	1,671	6,176	3,991
Interest expense and other	(9,163)	(12,297)	(29,631)	(33,998)
Litigation settlement (losses) gains, net	(275)	36	(711)	(872)
	(8,209)	(10,590)	(24,166)	(30,879)
Income before income tax provision	45,602	38,313	156,030	100,158
Income tax provision	18,059	15,330	61,788	38,831
Net income	\$ 27,543	\$ 22,983	\$ 94,242	\$ 61,327
Earnings per common share basic	\$ 0.56	\$ 0.55	\$ 1.92	\$ 1.47
Earnings per common share diluted	\$ 0.51	\$ 0.50	\$ 1.76	\$ 1.39

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 and Comprehensive Income**

(in thousands)

Unaudited

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-in	Earnings	Other	
			Capital		Comprehensive	
					Income (Loss)	
Balance, January 1, 2008	48,979	\$ 490	\$ 601,637	\$ 361,058	\$ 9,065	\$ 972,250
Comprehensive income:						
Cumulative translation adjustment, net of income taxes of \$10,581					(19,571)	(19,571)
Unrealized gains on cash equivalents, net of taxes of \$30					55	55
Net income				94,242		94,242
Total comprehensive income						74,726
Issuance of common stock in connection with:						
Exercise of options, including income tax benefit of \$5,877	460	5	16,055			16,060
Employee stock purchase plan	302	3	13,338			13,341
Restricted share grants, less net settled shares of 16	295	3	(1,051)			(1,048)
Stock units issued under incentive compensation plan			3,496			3,496
Business combinations	726	7	47,598			47,605
Share-based compensation			19,501			19,501
Balance, September 30, 2008	50,762	\$ 508	\$ 700,574	\$ 455,300	\$ (10,451)	\$ 1,145,931

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

	Nine Months Ended September 30,	
	2008	2007
Operating activities		
Net income	\$ 94,242	\$ 61,327
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19,099	13,744
Amortization of other intangible assets	13,019	7,778
Provision for doubtful accounts	13,107	7,125
Non-cash share-based compensation	21,392	16,499
Excess tax benefits from share-based compensation	(5,653)	(4,352)
Non-cash interest expense	2,269	