

FTI CONSULTING INC  
Form 10-Q  
May 05, 2009  
Table of Contents

**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 March 31, 2009**

**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.**

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(Exact Name of Registrant as Specified in its Charter)

<b>Maryland</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>52-1261113</b> (I.R.S. Employer Identification No.)
<b>777 South Flagler Drive, Suite 1500 West Tower,</b>  <b>West Palm Beach, Florida</b> (Address of Principal Executive Offices)	<b>33401</b> (Zip Code)
<b>(561) 515-1900</b>  (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 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  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.

Class	Outstanding at April 30, 2009
Common stock, par value \$0.01 per share	51,335,240

**Table of Contents**

**FTI CONSULTING, INC. AND SUBSIDIARIES**

**INDEX**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets March 31, 2009 and December 31, 2008</u>	3
<u>Condensed Consolidated Statements of Income Three months ended March 31, 2009 and 2008</u>	4
<u>Condensed Consolidated Statement of Stockholders Equity and Comprehensive Income Three months ended March 31, 2009</u>	5
<u>Condensed Consolidated Statements of Cash Flow Three months ended March 31, 2009 and 2008</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>	23
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	42
Item 4. <u>Controls and Procedures</u>	43
<b><u>PART II OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	44
Item 1A. <u>Risk Factors</u>	44
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
Item 3. <u>Defaults Upon Senior Securities</u>	44
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	45
Item 5. <u>Other Information</u>	45
Item 6. <u>Exhibits</u>	46
<b><u>SIGNATURES</u></b>	<b>47</b>

**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**

	<b>March 31, 2009 (Unaudited)</b>	<b>December 31, 2008 (a)</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 157,695	\$ 191,842
Accounts receivable:		
Billed receivables	255,071	237,009
Unbilled receivables	127,241	98,340
Allowance for doubtful accounts and unbilled services	(58,641)	(45,309)
Accounts receivable, net	323,671	290,040
Notes receivable	17,043	15,145
Prepaid expenses and other current assets	27,647	31,055
Deferred income taxes	24,372	24,372
Total current assets	550,428	552,454
Property and equipment, net of accumulated depreciation	76,265	78,575
Goodwill	1,143,689	1,151,388
Other intangible assets, net of amortization	184,137	189,304
Notes receivable, net of current portion	58,176	56,500
Other assets	58,515	59,349
<b>Total assets</b>	<b>\$ 2,071,210</b>	<b>\$ 2,087,570</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Current liabilities</b>		
Accounts payable, accrued expenses and other	\$ 67,869	\$ 109,036
Accrued compensation	97,654	133,103
Current portion of long-term debt and capital lease obligations	146,331	132,915
Billings in excess of services provided	28,267	30,872
Total current liabilities	340,121	405,926
Long-term debt and capital lease obligations, net of current portion	418,572	418,592
Deferred income taxes	88,067	83,777
Other liabilities	47,722	45,037
<b>Total liabilities</b>	<b>894,482</b>	<b>953,332</b>
Commitments and contingent liabilities (notes 9, 11 and 12)		
<b>Stockholders equity</b>		
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 51,326 (2009) and 50,934 (2008)	513	509
Additional paid-in capital	752,059	735,180
Retained earnings	510,554	478,882
Accumulated other comprehensive income	(86,398)	(80,333)
<b>Total stockholders equity</b>	<b>1,176,728</b>	<b>1,134,238</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 2,071,210</b>	<b>\$ 2,087,570</b>

- (a) 2008 has been retrospectively adjusted for the adoption of FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments that May be Settled in Cash Upon Conversion (Including Partial Cash Settlement). See Note 2 for additional details. See accompanying notes to the condensed consolidated financial statements

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

(in thousands, except per share data)

Unaudited

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008 (a)</b>
<b>Revenues</b>	\$ 347,846	\$ 307,102
<b>Operating expenses</b>		
Direct cost of revenues	192,412	172,521
Selling, general and administrative expense	88,753	72,572
Amortization of other intangible assets	6,050	2,898
	287,215	247,991
<b>Operating income</b>	60,631	59,111
<b>Other income (expense)</b>		
Interest income and other	2,053	3,311
Interest expense	(11,013)	(11,599)
Litigation settlement gains (losses), net	250	(1)
	(8,710)	(8,289)
<b>Income before income tax provision</b>	51,921	50,822
<b>Income tax provision</b>	20,249	20,122
<b>Net income</b>	\$ 31,672	\$ 30,700
<b>Earnings per common share basic</b>	\$ 0.63	\$ 0.64
<b>Earnings per common share diluted</b>	\$ 0.60	\$ 0.58

- (a) 2008 has been retrospectively adjusted for the adoption of FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments that May be Settled in Cash Upon Conversion (Including Partial Cash Settlement). See Note 2 for additional details. See accompanying notes to the 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 Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
<b>Balance January 1, 2009 (a)</b>	50,934	\$ 509	\$ 735,180	\$ 478,882	\$ (80,333)	\$ 1,134,238
Comprehensive income:						
Cumulative translation adjustment, net of income taxes of \$0					(6,065)	(6,065)
Net income				31,672		31,672
<b>Total comprehensive income</b>						<b>25,607</b>
Issuance of common stock in connection with:						
Exercise of options, including income tax benefit of \$201	53	1	1,423			1,424
Employee stock purchase plan	138	1	5,236			5,237
Restricted share grants, less net settled shares of 12	201	2	(532)			(530)
Stock units issued under incentive compensation plan			5,308			5,308
Business combinations			(130)			(130)
Share-based compensation			5,574			5,574
<b>Balance March 31, 2009</b>	<b>51,326</b>	<b>\$ 513</b>	<b>\$ 752,059</b>	<b>\$ 510,554</b>	<b>\$ (86,398)</b>	<b>\$ 1,176,728</b>

- (a) Retrospectively adjusted for the adoption of FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments that May be Settled in Cash Upon Conversion (Including Partial Cash Settlement). See Note 2 for additional details.  
See accompanying notes to the condensed consolidated financial statements

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

(in thousands)

Unaudited

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008 (a)</b>
<b>Operating activities</b>		
Net income	\$ 31,672	\$ 30,700
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	7,032	6,026
Amortization of other intangible assets	6,050	2,898
Provision for doubtful accounts	6,788	4,546
Non-cash share-based compensation	6,445	6,706
Excess tax benefits from share-based compensation	(185)	(2,642)
Non-cash interest expense	1,854	1,749
Other	62	(184)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(41,148)	(59,084)
Notes receivable	(3,836)	1,655
Prepaid expenses and other assets	943	(1,974)
Accounts payable, accrued expenses and other	(2,896)	1,006
Income taxes	9,614	17,395
Accrued compensation	(28,403)	(18,077)
Billings in excess of services provided	(2,526)	(830)
Net cash used in operating activities	(8,534)	(10,110)
<b>Investing activities</b>		
Payments for acquisition of businesses, including contingent payments and acquisition costs, net of cash received	(25,742)	(93,636)
Purchases of property and equipment	(4,459)	(7,525)
Other	173	(27,371)
Net cash used in investing activities	(30,028)	(128,532)
<b>Financing activities</b>		
Payments of long-term debt and capital lease obligations	(322)	(6,335)
Issuance of common stock under equity compensation plans	5,930	8,582
Excess of tax benefits from share-based compensation	185	2,642
Net cash provided by financing activities	5,793	4,889