

NAVIGANT CONSULTING INC  
Form 10-Q  
November 09, 2007  
Table of Contents

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM 10-Q

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the nine months ended September 30, 2007

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-12173

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## Navigant Consulting, Inc.

(Exact name of Registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

incorporation or organization)

**30 South Wacker Drive, Suite 3550, Chicago, Illinois 60606**

(Address of principal executive offices, including zip code)

**(312) 573-5600**

(Registrant's telephone number, including area code)

**36-4094854**  
(I.R.S. Employer

Identification No.)

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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.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

As of November 9, 2007, 48.4 million shares of the Registrant's common stock, par value \$.001 per share ( Common Stock ), were outstanding.

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**Table of Contents**

**NAVIGANT CONSULTING, INC.**

**AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**

**INDEX**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	3
<u>Notes to Unaudited Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	25
Item 4. <u>Controls and Procedures</u>	26
<b><u>PART II OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
Item 6. <u>Exhibits</u>	27
<b><u>SIGNATURES</u></b>	<b>28</b>
Navigant is a service mark of Navigant International, Inc. Navigant Consulting, Inc. is not affiliated, associated, or in any way connected with Navigant International, Inc. and the use of Navigant is made under license from Navigant International, Inc.	

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****NAVIGANT CONSULTING, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands)

	September 30,	December 31,
	2007 (unaudited)	2006
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 21,149	\$ 11,745
Accounts receivable, net	202,097	168,062
Prepaid expenses and other current assets	16,771	9,396
Deferred income taxes	12,359	11,042
Total current assets	252,376	200,245
Property and equipment, net	55,366	51,164
Intangible assets, net	64,590	38,416
Goodwill	433,344	359,705
Other assets	8,515	2,828
Total assets	\$ 814,191	\$ 652,358
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	\$ 8,574	\$ 11,667
Accrued liabilities	10,539	5,254
Accrued compensation-related costs	56,201	48,926
Income taxes payable	3,037	5,907
Notes payable	6,465	1,000
Bank debt	2,250	33,567
Other current liabilities	24,697	23,421
Total current liabilities	111,763	129,742
Non-current liabilities:		
Deferred income taxes	30,909	19,164
Notes payable	6,465	5,786
Other non-current liabilities	18,181	11,090
Term loan non-current	222,188	
Bank borrowings non-current	85,960	
Total non-current liabilities	363,703	36,040
Total liabilities	475,466	165,782

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Stockholders' equity:		
Preferred stock		
Common stock	58	56
Additional paid-in capital	546,061	519,073
Deferred stock issuance	2,828	7,150
Treasury stock	(242,284)	(38,663)
Retained earnings (Accumulated deficit)	23,206	(4,214)
Accumulated other comprehensive income	8,856	3,174
<b>Total stockholders' equity</b>	<b>338,725</b>	<b>486,576</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 814,191</b>	<b>\$ 652,358</b>

See accompanying notes to the unaudited consolidated financial statements.

**Table of Contents****NAVIGANT CONSULTING, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

	<b>For the three months ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
Revenues before reimbursements	\$ 167,057	\$ 150,380
Reimbursements	23,790	20,906
<b>Total revenues</b>	<b>190,847</b>	<b>171,286</b>
Cost of services before reimbursable expenses	104,405	85,259
Reimbursable expenses	23,790	20,906
<b>Total costs of services</b>	<b>128,195</b>	<b>106,165</b>
General and administrative expenses	35,680	32,445
Depreciation expense	4,189	3,709
Amortization expense	5,378	2,401
Other operating costs	3,297	9,334
<b>Operating income</b>	<b>14,108</b>	<b>17,232</b>
Interest expense	6,021	1,316
Interest income	(158)	(51)
Other expense (income), net	58	(19)
<b>Income before income taxes</b>	<b>8,187</b>	<b>15,986</b>
Income tax expense	3,454	7,425
<b>Net income</b>	<b>\$ 4,733</b>	<b>\$ 8,561</b>
Basic net income per share	\$ 0.10	\$ 0.16
Shares used in computing basic net income per share	45,263	53,471
Diluted net income per share	\$ 0.10	\$ 0.16
Shares used in computing diluted net income per share	46,462	55,090

See accompanying notes to the unaudited consolidated financial statements.

**Table of Contents****NAVIGANT CONSULTING, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

	<b>For the nine months ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
Revenues before reimbursements	\$ 501,545	\$ 447,190
Reimbursements	62,225	55,335
Total revenues	563,770	502,525
Cost of services before reimbursable expenses	311,488	257,455
Reimbursable expenses	62,225	55,335
Total costs of services	373,713	312,790
General and administrative expenses	104,227	95,383
Depreciation expense	11,905	9,880
Amortization expense	12,798	7,296
Other operating costs	4,574	9,334
Operating income	56,553	67,842
Interest expense	9,461	4,035
Interest income	(431)	(366)
Other expense (income), net	(50)	(239)
Income before income taxes	47,573	64,412
Income tax expense	20,153	28,083
Net income	\$ 27,420	\$ 36,329
Basic net income per share	\$ 0.54	\$ 0.69
Shares used in computing basic net income per share	50,744	52,629
Diluted net income per share	\$ 0.53	\$ 0.67
Shares used in computing diluted net income per share	52,165	54,427

See accompanying notes to the unaudited consolidated financial statements.

**Table of Contents****NAVIGANT CONSULTING, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	<b>For the nine months ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 27,420	\$ 36,329
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	11,905	9,880
Amortization expense	12,798	7,296
Share-based compensation expense	13,378	9,534
Accretion of interest expense	572	620
Deferred income taxes	2,044	717
Gain on sale of property	(2,201)	
Other, net	730	
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(22,360)	(22,539)
Prepaid expenses and other current assets	(8,177)	(2,137)
Accounts payable	(4,635)	(1,259)
Accrued liabilities	3,135	8,257
Accrued compensation-related costs	9,267	2,264
Income taxes payable	(5,919)	(1,693)
Other current liabilities	4,062	4,152
<b>Net cash provided by operating activities</b>	<b>42,019</b>	<b>51,421</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(18,648)	(19,460)
Proceeds from sale of property	4,028	
Acquisitions of businesses, net of cash acquired	(65,250)	(42,252)
Payments of acquisition liabilities	(4,465)	(13,365)
Other, net	(1,916)	(940)
<b>Net cash used in investing activities</b>	<b>(86,251)</b>	<b>(76,017)</b>
<b>Cash flows from financing activities:</b>		
Issuances of common stock	6,795	7,835
Borrowings from banks, net	46,756	11,652
Payment of notes payable	(5,967)	
Proceeds from term loan	225,000	
Payment of term loan installment	(563)	
Repurchases of common stock	(218,429)	
Other, net	44	4,492
<b>Net cash provided by financing activities</b>	<b>53,636</b>	<b>23,979</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,404</b>	<b>(617)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>11,745</b>	<b>14,871</b>
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 21,149</b>	<b>\$ 14,254</b>



See accompanying notes to the unaudited consolidated financial statements.

**Table of Contents**

**NAVIGANT CONSULTING, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Basis of Presentation**