

NAVIGANT CONSULTING INC  
Form 10-Q  
October 31, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

Commission File No. 1-12173

**Navigant Consulting, Inc.**

(Exact name of Registrant as specified in its charter)

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**Delaware** **36-4094854**  
(State or other jurisdiction of **(I.R.S. Employer**  
**incorporation or organization)** **Identification No.)**  
**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)

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 Exchange Act). YES  NO

As of October 29, 2012, 51,155,282 shares of the registrant's common stock, par value \$.001 per share, were outstanding.

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Statements included in this report which are not historical in nature are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may generally be identified by words such as anticipate, believe, intend, estimate, expect, outlook and similar expressions. We caution readers that there may be events in the future that we are not able to accurately predict or control and the information contained in the forward-looking statements is inherently uncertain and subject to a number of risks that could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including the factors described in the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011 and Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations in this report. We cannot guarantee any future results, levels of activity, performance or achievement, and we undertake no obligation to update any of the forward-looking statements contained in this report.

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

	<b>September 30, 2012 (unaudited)</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,239	\$ 2,969
Accounts receivable, net	209,594	179,041
Prepaid expenses and other current assets	27,066	22,766
Deferred income tax assets	13,757	16,229
<b>Total current assets</b>	<b>251,656</b>	<b>221,005</b>
Non-current assets:		
Property and equipment, net	45,542	41,138
Intangible assets, net	12,430	16,825
Goodwill	583,459	570,280
Other assets	32,226	25,953
<b>Total assets</b>	<b>\$ 925,313</b>	<b>\$ 875,201</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 18,867	\$ 16,261
Accrued liabilities	11,561	8,432
Accrued compensation-related costs	65,096	95,451
Income tax payable	897	3,558
Other current liabilities	37,578	32,622
<b>Total current liabilities</b>	<b>133,999</b>	<b>156,324</b>
Non-current liabilities:		
Deferred income tax liabilities	64,945	52,964
Other non-current liabilities	23,272	20,445
Bank debt non-current	155,538	131,790
<b>Total non-current liabilities</b>	<b>243,755</b>	<b>205,199</b>
<b>Total liabilities</b>	<b>377,754</b>	<b>361,523</b>
Stockholders equity:		
Common stock	62	61
Additional paid-in capital	579,366	567,627

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Treasury stock	(212,585)	(197,602)
Retained earnings	189,015	156,373
Accumulated other comprehensive loss	(8,299)	(12,781)
Total stockholders' equity	547,559	513,678
Total liabilities and stockholders' equity	\$ 925,313	\$ 875,201

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)

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Revenues before reimbursements	\$ 181,128	\$ 181,821	\$ 549,037	\$ 524,718
Reimbursements	26,935	22,651	70,247	62,961
<b>Total revenues</b>	<b>208,063</b>	<b>204,472</b>	<b>619,284</b>	<b>587,679</b>
Cost of services before reimbursable expenses	122,392	123,209	368,595	354,846
Reimbursable expenses	26,935	22,651	70,247	62,961
<b>Total costs of services</b>	<b>149,327</b>	<b>145,860</b>	<b>438,842</b>	<b>417,807</b>
General and administrative expenses	33,086	32,863	104,491	96,415
Depreciation expense	3,618	3,481	10,874	10,064
Amortization expense	1,504	2,234	4,879	6,698
Other operating costs:				
Contingent acquisition liability adjustment			620	
<b>Operating income</b>	<b>20,528</b>	<b>20,034</b>	<b>59,578</b>	<b>56,695</b>
Interest expense	1,297	1,907	4,186	5,658
Interest income	(167)	(396)	(586)	(1,192)
Other expense (income), net	95	(206)	56	(170)
<b>Income before income tax expense</b>	<b>19,303</b>	<b>18,729</b>	<b>55,922</b>	<b>52,399</b>
Income tax expense	7,859	8,193	23,280	22,325
<b>Net income</b>	<b>\$ 11,444</b>	<b>\$ 10,536</b>	<b>\$ 32,642</b>	<b>\$ 30,074</b>
<b>Basic net income per share</b>	<b>\$ 0.22</b>	<b>\$ 0.21</b>	<b>\$ 0.64</b>	<b>\$ 0.59</b>
Shares used in computing net income per basic share	50,863	51,109	51,002	50,702
<b>Diluted net income per share</b>	<b>\$ 0.22</b>	<b>\$ 0.20</b>	<b>\$ 0.63</b>	<b>\$ 0.59</b>
Shares used in computing net income per diluted share	51,460	51,487	51,647	51,263
<b>Other comprehensive income, net of tax</b>				
Net income	\$ 11,444	\$ 10,536	\$ 32,642	\$ 30,074
Unrealized net gain (loss), foreign currency translation	3,820	(3,758)	4,532	(167)
Unrealized net gain (loss) on interest rate derivatives, net of income taxes	(111)	226	(50)	438
<b>Comprehensive income</b>	<b>\$ 15,153</b>	<b>\$ 7,004</b>	<b>\$ 37,124</b>	<b>\$ 30,345</b>

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>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 32,642	\$ 30,074
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation expense	10,874	10,064
Amortization expense	4,879	6,698
Share-based compensation expense	7,677	6,516
Accretion of interest expense	439	695
Deferred income taxes	13,055	10,609
Allowance for doubtful accounts receivable	4,110	5,276
Contingent acquisition liability adjustment	620	
Changes in assets and liabilities (net of acquisitions):		
Accounts receivable	(33,742)	(23,801)
Prepaid expenses and other assets	(6,794)	(47)
Accounts payable	2,570	3,719
Accrued liabilities	3,032	632
Accrued compensation-related costs	(30,517)	3,961
Income taxes payable	(1,809)	2,784
Other liabilities	1,405	(2,903)
<b>Net cash provided by operating activities</b>	<b>8,441</b>	<b>54,277</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(14,511)	(5,472)
Acquisitions of businesses, net of cash acquired	(2,588)	(7,346)
Payments of acquisition liabilities	(1,106)	(10,217)
Other, net	(1,601)	(225)