FTI CONSULTING INC
Form 10-Q
July 27, 2017

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, 2017

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)

Maryland	52-1261113
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1101 K Street NW,	
Washington, D.C.	20005
(Address of Principal Executive Offices)	(Zip Code)

(202) 312-9100

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 20, 2017
Common stock, par value $0.01 per share	39,542,651

FTI CONSULTING, INC. AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except per share data)

Item 1. Financial Statements

Assets	June 30, 2017 (Unaudited)	December 31, 2016
Current assets		
Cash and cash equivalents	$ 138,511	$ 216,158
Accounts receivable:		
Billed receivables	399,100	365,385
Unbilled receivables	345,228	288,331
Allowance for doubtful accounts and unbilled services	(191,113)	(178,819)
Accounts receivable, net	553,215	474,897
Current portion of notes receivable	27,126	31,864
Prepaid expenses and other current assets	58,937	60,252
Total current assets	777,789	783,171
Property and equipment, net of accumulated depreciation	60,280	61,856
Goodwill	1,187,664	1,180,001
Other intangible assets, net of amortization	48,213	52,120
Notes receivable, net of current portion	108,692	104,524
Other assets	42,155	43,696
Total assets	$ 2,224,793	$ 2,225,368
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	$ 85,403	$ 87,320
Accrued compensation	191,683	261,500
Billings in excess of services provided	37,652	29,635
Total current liabilities	314,738	378,455
Long-term debt, net	480,906	365,528
Deferred income taxes	175,683	173,799
Other liabilities	114,288	100,228
Total liabilities	1,085,615	1,018,010
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 — 39,527 (2017) and 42,037 (2016)	395	420

Additional paid-in capital	325,446	416,816
Retained earnings	946,672	941,001
Accumulated other comprehensive loss	(133,335)	(150,879)
Total stockholders' equity	1,139,178	1,207,358
Total liabilities and stockholders' equity	$ 2,224,793	$ 2,225,368

See accompanying notes to condensed consolidated financial statements

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,	
	2017	2016	2017	2016
Revenues	$444,715	$460,147	$891,059	$930,432
Operating expenses				
Direct cost of revenues	304,071	303,194	613,143	608,830
Selling, general and administrative expenses	107,342	108,245	214,637	211,854
Special charges	30,074	1,750	30,074	6,811
Acquisition-related contingent consideration	777	206	1,172	1,340
Amortization of other intangible assets	2,422	2,590	4,915	5,196
	444,686	415,985	863,941	834,031
Operating income	29	44,162	27,118	96,401
Other income (expense)				
Interest income and other	1,592	4,125	2,197	6,682
Interest expense	(6,250)	(6,303)	(12,051)	(12,532)
	(4,658)	(2,178)	(9,854)	(5,850)
Income (loss) before income tax provision	(4,629)	41,984	17,264	90,551
Income tax provision	527	15,437	8,404	33,823
Net income (loss)	$(5,156)	$26,547	$8,860	$56,728
Earnings (loss) per common share — basic	$(0.13)	$0.65	$0.22	$1.40
Earnings (loss) per common share — diluted	$(0.13)	$0.64	$0.22	$1.37
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments, net of tax expense of $0	$10,174	$(18,809)	$17,544	$(19,167)
Total other comprehensive income (loss), net of tax	10,174	(18,809)	17,544	(19,167)
Comprehensive income	$5,018	$7,738	$26,404	$37,561

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders' Equity

(in thousands)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2016	42,037	$ 420	$416,816	$941,001	$ (150,879)	$1,207,358
Net income	—	$ —	$—	$8,860	$ —	$8,860
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	17,544	17,544
Issuance of common stock in connection with:						
Exercise of options	55	1	1,909	—	—	1,910
Restricted share grants, less net settled shares of 56	202	2	(2,300)	—	—	(2,298)
Stock units issued under incentive compensation plan	—	—	1,547	—	—	1,547
Purchase and retirement of common stock	(2,767)	(28)	(102,485)	—	—	(102,513)
Cumulative effect due to adoption of new accounting standard	—	—	—	(3,189)	—	(3,189)
Share-based compensation	—	—	9,959	—	—	9,959
Balance at June 30, 2017	39,527	$ 395	$325,446	$946,672	$ (133,335)	$1,139,178

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Six Months Ended June 30,	
Operating activities	2017	2016
Net income	$8,860	$56,728
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,298	16,049
Amortization and impairment of other intangible assets	4,915	5,196
Acquisition-related contingent consideration	1,172	1,340
Provision for doubtful accounts	5,971	4,344
Non-cash share-based compensation	9,959	9,667
Non-cash interest expense	992	992
Other	242	(639)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(78,100)	(57,501)
Notes receivable	2,241	(4,640)
Prepaid expenses and other assets	947	(943)
Accounts payable, accrued expenses and other	(1,887)	1,932
Income taxes	3,087	29,329
Accrued compensation	(64,531)	(28,518)
Billings in excess of services provided	7,634	7,297
Net cash provided by (used in) operating activities	(82,200)	40,633
Investing activities		
Payments for acquisition of businesses, net of cash received	—	(56)
Purchases of property and equipment	(13,127)	(11,983)
Other	72	96
Net cash used in investing activities	(13,055)	(11,943)
Financing activities		
Borrowings under revolving line of credit, net	115,000	—
Deposits	3,262	2,557
Purchase and retirement of common stock	(102,513)	(2,903)
Net issuance of common stock under equity compensation plans	(500)	9,353
Other	(79)	(154)
Net cash provided by financing activities	15,170	8,853
Effect of exchange rate changes on cash and cash equivalents	2,438	(4,638)
Net increase (decrease) in cash and cash equivalents	(77,647)	32,905

Cash and cash equivalents, beginning of period	216,158	149,760
Cash and cash equivalents, end of period	$138,511	$182,665
Supplemental cash flow disclosures		
Cash paid for interest	$14,903	$11,242
Cash paid for income taxes, net of refunds	$5,336	$4,493
Non-cash investing and financing activities:		
Issuance of stock units under incentive compensation plans	$1,547	$1,842

See accompanying notes to condensed consolidated financial statements

FTI Consulting, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(dollar and share amounts in tables in thousands, except per share data)

(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

The unaudited condensed consolidated financial statements of FTI Consulting, Inc., including its consolidated subsidiaries (collectively, the “Company,” “we,” “our,” or “FTI Consulting”), presented herein, have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and under the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Some of the information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. Certain prior period amounts have been reclassified to conform to the current period presentation. In management’s opinion, the interim financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim periods presented. All adjustments made were normal recurring accruals. Results of operations for the interim periods presented herein are not necessarily indicative of results of operations for a full year. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

2. Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share adjusts basic earnings (loss) per common share for the effects of potentially dilutive common shares. Potentially dilutive common shares include the dilutive effects of shares issuable under our equity compensation plans, including stock options and restricted shares, each using the treasury stock method.

Due to a net loss applicable to common stockholders for the three months ended June 30, 2017, we excluded 377,389 potentially dilutive securities from the computation as their effect would be anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator — basic and diluted				
Net income (loss)	$ (5,156)	$ 26,547	$ 8,860	$ 56,728
Denominator				
Weighted average number of common shares	39,555	40,820	40,039	40,663

outstanding — basic				
Effect of dilutive stock options	—	316	129	223
Effect of dilutive restricted shares	—	463	334	487
Weighted average number of common shares outstanding — diluted	39,555	41,599	40,502	41,373
Earnings (loss) per common share — basic	$ (0.13)	$ 0.65	$ 0.22	$ 1.40
Earnings (loss) per common share — diluted	$ (0.13)	$ 0.64	$ 0.22	$ 1.37
Antidilutive stock options and restricted shares	1,947	1,374	1,469	2,016

3. New Accounting Standards

Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This standard makes several modifications to Topic 718, including the accounting for forfeitures, employer tax withholding on share-based compensation and income tax consequences, and clarifies the statement of cash flows presentation for certain components of share-based awards, all of which are intended to simplify various aspects of the accounting for share-based compensation. We adopted this standard as of January 1, 2017, and since then recorded the excess benefits realized from stock compensation transactions in the Condensed Consolidated Statement of Comprehensive Income. Additionally, we elected to recognize forfeiture expense as forfeitures occur, rather than estimating forfeitures based on historical data.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which removes the prohibition against immediate recognition of current and deferred income tax effects on intra-entity transfers of assets other than inventory. We elected to early adopt this standard as of January 1, 2017, and recorded a $3.2 million cumulative effect adjustment to the beginning balance of retained earnings on January 1, 2017 which resulted in a net impact of increasing deferred tax assets by $2.6 million and decreasing a deferred tax charge in other assets by $5.8 million related to a prior period intra-entity transfer of intellectual property.

Accounting Standards Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04: Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This standard requires entities to measure goodwill impairment using the difference between the carrying amount and the fair value of the reporting unit, instead of performing a hypothetical purchase price allocation. This guidance is effective beginning January 1, 2020, although early adoption is permitted. The adoption of this guidance would only impact the measurement of a future goodwill impairment to the extent applicable.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing lease guidance. Under this ASU, we will be required to record right-of-use assets and corresponding lease liabilities on the balance sheet. This guidance is effective beginning January 1, 2019. The new standard is required to be applied with a modified retrospective approach to each prior reporting period presented. We have not yet determined the impact that the adoption of this guidance will have on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Under this ASU and subsequently issued amendments, revenues are recognized at the time when goods or services are transferred to a customer in an amount that reflects the consideration it expects to receive in exchange for those goods or services. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. We believe that the adoption of this standard will impact engagements that contain variable fee arrangements, including those in which we earn a completion fee when and if certain predefined outcomes occur, and certain engagements with fixed-fees that have multiple performance obligations. We expect to recognize revenue under certain success fee arrangements earlier upon adoption of this standard than we do under current guidance. We will adopt this standard using the modified retrospective method effective January 1, 2018.

4. Special Charges

During the three and six months ended June 30, 2017, we recorded a special charge of $30.1 million. The charge includes the impact of certain targeted reductions in areas of each segment where we needed to re-align our workforce with current business demand. In addition, cost cutting actions were taken in certain corporate departments where we were able to streamline support activities and reduce our real estate costs. $37.6 million of the charge will be paid in cash. The total charge is net of a $7.5 million non-cash reduction to expense primarily for the reversal of a deferred rent liability. The special charge includes the following components:

- $16.1 million of employee severance and other employee related costs associated with the reduction in workforce of 201 employees in our segments and certain corporate departments. All of these amounts will be paid in cash;
- $12.4 million of exit costs associated with the curtailment of our lease on our executive office in Washington, D.C. $20.5 million of the charge will be paid in cash. The exit costs include an $8.1 million non-cash reduction to expense primarily for the reversal of a deferred rent liability; and
- $1.6 million of other expenses, including costs related to disposing or closing several small international offices, of which $0.6 million was a non-cash expense.

During the three months ended June 30, 2016, we recorded a special charge of $1.7 million related to the termination of 19 employees in the health solutions practice of our Forensic and Litigation Consulting segment. The termination actions resulted from the elimination of certain specialized offerings which no longer support the strategic focus of this practice. The special charges consisted of salary continuance and other contractual employee-related costs, net of the reversal of accelerated expense of a forgivable loan.

During the six months ended June 30, 2016, we recorded a special charge of $6.8 million related to the employee terminations in the health solutions practice of our Forensic and Litigation Consulting segment as described above, and special charges recorded during the three months ended March 31, 2016 related to employee terminations in our Technology segment.

The following table details the special charges by segment for the three and six months ended June 30, 2017 and 2016:

Special Charges by Segment	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Corporate Finance & Restructuring	$ 3,049	$ —	$ 3,049	$ —
Forensic and Litigation Consulting	10,445	1,750	10,445	1,750
Economic Consulting	5,910	—	5,910	—
Technology	3,827	—	3,827	5,061
Strategic Communications	3,599	—	3,599	—
	26,830	1,750	26,830	6,811
Unallocated Corporate	3,244	—	3,244	—
Total	$ 30,074	$ 1,750	$ 30,074	$ 6,811

Activity related to the liability for the special charges for the six months ended June 30, 2017 is as follows:

	Employee Termination Costs	Lease Termination Costs	Other Costs	Total
Balance at December 31, 2016	$ 8,225	$ 3,335	$ —	$ 11,560
Additions	15,980	19,985	570	36,535
Payments	(7,030)	(312)	—	(7,342)
Foreign currency translation adjustment and other	9	(19)	7	(3)
Balance at June 30, 2017[1]	$ 17,184	$ 22,989	$ 577	$ 40,750

[1] Of the $40.8 million remaining liability for the special charges, $16.9 million is expected to be paid in the remainder of 2017, $10.5 million is expected to be paid in 2018, $4.9 million is expected to be paid in 2019, $4.1 million is expected to be paid in 2020 and the remaining balance of $4.4 million is expected to be paid from 2021 to 2025.

5. Allowance for Doubtful Accounts and Unbilled Services

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenues when there are changes in estimates of fee reductions that may be imposed by bankruptcy courts and other regulatory institutions for both billed and unbilled receivables. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we discover that collectability is not reasonably assured. These adjustments are recorded to “Selling, general and administrative expenses” on the Condensed Consolidated Statements of Comprehensive Income and totaled $2.4 million and $6.0 million for the three and six months ended June 30, 2017, respectively, and $3.9 million and $4.3 million for the three and six months ended June 30, 2016, respectively.

6. Research and Development Costs

Research and development costs related to software development totaled $4.3 million and $8.5 million for the three and six months ended June 30, 2017, respectively, and $4.5 million and $8.5 million for the three and six months ended June 30, 2016 respectively. Research and development costs are included in “Selling, general and administrative expenses” on the Condensed Consolidated Statements of Comprehensive Income.

7. Financial Instruments

We consider the recorded value of certain financial assets and liabilities, which consist primarily of cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at June 30, 2017 and December 31, 2016, based on the short-term nature of the assets and liabilities. The fair value of our total debt at June 30, 2017 was $494.8 million compared to a carrying value of $485.0 million. At December 31, 2016, the fair value of our total debt was $382.8 million compared to a carrying value of $370.0 million. We determine the fair value of our long-term debt primarily based on quoted market prices for our 6% Senior Notes Due 2022 (“2022 Notes”). The fair value of our borrowings on our $550.0 million senior secured bank revolving credit facility (“Senior Bank Credit Facility”) approximates the carrying amount. The fair value of our long-term debt is classified within Level 2 of the fair value hierarchy, because it is traded in less active markets.

8. Goodwill and Other Intangible Assets

Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment:

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Total
Balance at December 31, 2016						
Goodwill	$ 440,666	$ 230,544	$ 268,209	$ 117,607	$ 317,114	$ 1,374,140
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2016	440,666	230,544	268,209	117,607	122,975	1,180,001
Foreign currency translation adjustment and other	1,500	1,817	454	74	3,818	7,663
Balance at June 30, 2017						
Goodwill	442,166	232,361	268,663	117,681	320,932	1,381,803
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at June 30, 2017	$ 442,166	$ 232,361	$ 268,663	$ 117,681	$ 126,793	$ 1,187,664

Other Intangible Assets

Other intangible assets with finite lives are amortized over their estimated useful lives. We recorded amortization expense of $2.4 million and $4.9 million for the three and six months ended June 30, 2017, respectively, and $2.6 million and $5.2 million for the three and six months ended June 30, 2016, respectively.

We estimate our future amortization expense for our intangible assets with finite lives to be as follows:

Year	As of June 30, 2017[1]
2017 (remaining)	$ 4,724
2018	8,087
2019	7,434
2020	7,272
2021	6,686
Thereafter	8,409
	$ 42,612

(1) Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes.

9. Long-Term Debt

The components of long-term debt obligations are presented in the table below:

	June 30, 2017	December 31, 2016
2022 Notes	$300,000	$ 300,000
Senior Bank Credit Facility	185,000	70,000
Total debt	485,000	370,000
Less: deferred debt issue costs	(4,094)	(4,472)
Long-term debt, net	$480,906	$ 365,528

The Company has classified the borrowings under the Company's Senior Bank Credit Facility as long-term debt in the accompanying Condensed Consolidated Balance Sheets as amounts due under the credit agreement entered into as of June 26, 2015, which expires on June 26, 2020, are not contractually required or expected to be liquidated for more than one year from the applicable balance sheet date. Additionally, $0.7 million of the borrowing limit was utilized for letters of credit as of June 30, 2017.

10. Commitments and Contingencies

We are subject to legal actions arising in the ordinary course of business. In management's opinion, we believe we have adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions. We do not believe any settlement or judgment relating to any pending legal action would materially affect our financial position or results of operations.

11. Share-Based Compensation

During the six months ended June 30, 2017, we granted 203,145 restricted stock awards, stock options exercisable for up to 130,650 shares, 53,175 restricted stock units and 100,052 performance-based restricted stock units. These awards are recorded as equity on the Condensed Consolidated Balance Sheets. During the six months ended June 30, 2017, stock options exercisable for up to 59,794 shares and 9,491 shares of restricted stock awards were forfeited prior to the completion of the vesting requirements.

Total share-based compensation expense, net of forfeitures, for the three months and six months ended June 30, 2017 and 2016 is detailed in the following table:

Income Statement Classification	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Direct cost of revenues	$ 1,183	$ 2,279	$7,021	$6,127
Selling, general and administrative expenses	1,209	2,499	2,052	5,208
Special charges	96	—	96	105
Total share-based compensation expense	$ 2,488	$ 4,778	$9,169	$11,440

12. Stockholders' Equity

On June 2, 2016, our Board of Directors authorized a stock repurchase program of up to $100.0 million (the "Stock Repurchase Program"). On May 18, 2017, our Board of Directors authorized an additional $100.0 million increasing the Stock Repurchase Program to an aggregate authorization of $200.0 million. No time limit has been established for the completion of the program, and the program may be suspended, discontinued or replaced by the Board of Directors at any time without prior notice. As of June 30, 2017, we have $78.9 million available under this program to repurchase additional shares.

The following table details our stock repurchases:

	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Shares of common stock repurchased and retired	1,887	—	2,767	85
Average price paid per share	$ 34.74	N/A	$37.03	$34.12
Total cost	$ 65,556	N/A	$102,457	$2,903

13. Segment Reporting

We manage our business in five reportable segments: Corporate Finance & Restructuring, Forensic and Litigation Consulting, Economic Consulting, Technology and Strategic Communications.

Our Corporate Finance & Restructuring segment focuses on the strategic, operational, financial and capital needs of our clients around the world and delivers a wide range of distressed and non-distressed practice offerings. Our distressed practice offerings include corporate restructuring (and bankruptcy) and interim management services. Our non-distressed practice offerings include financings, mergers and acquisitions ("M&A"), M&A integration, valuations and tax advice, as well as financial, operational and performance improvement services.

Our Forensic and Litigation Consulting segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services, as well as interim management and performance improvement services for our health solutions practice clients.

Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the U.S. and around the world.

Our Technology segment offers a comprehensive portfolio of information governance and e-discovery software, services and consulting support to companies, law firms, courts and government agencies worldwide. Our services allow our clients to control the risk and expense of e-discovery events, as well as manage their data in the context of compliance and risk.

Our Strategic Communications segment designs and executes communications strategies for management teams and boards of directors to help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their brand, stake a competitive position, and preserve and grow their operations.

We evaluate the performance of our operating segments based on Adjusted Segment EBITDA. We define Adjusted Segment EBITDA as a segment's share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We define Total Adjusted Segment EBITDA, a non-GAAP financial measure, as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We use Adjusted Segment EBITDA to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment's ability to generate cash.

The table below presents revenues and Adjusted Segment EBITDA for our reportable segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Corporate Finance & Restructuring	$117,487	$132,142	$223,388	$259,298
Forensic and Litigation Consulting	111,410	118,193	222,816	237,197
Economic Consulting	124,004	118,006	263,225	248,737
Technology	45,566	41,882	91,653	90,163
Strategic Communications	46,248	49,924	89,977	95,037
Total revenues	$444,715	$460,147	$891,059	$930,432
Adjusted Segment EBITDA				
Corporate Finance & Restructuring	$20,048	$32,041	$30,373	$63,644
Forensic and Litigation Consulting	13,032	15,190	26,553	34,998
Economic Consulting	15,509	15,381	35,619	36,700
Technology	5,421	5,035	13,225	12,858
Strategic Communications	4,876	8,440	9,133	14,548
Total Adjusted Segment EBITDA	$58,886	$76,087	$114,903	$162,748

The table below reconciles Net income (loss) to Total Adjusted Segment EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$(5,156)	$26,547	$8,860	$56,728

Add back:				
Income tax provision	527	15,437	8,404	33,823
Interest income and other	(1,592)	(4,125)	(2,197)	(6,682)
Interest expense	6,250	6,303	12,051	12,532
Unallocated corporate expenses[(1)]	22,286	20,406	41,339	39,152
Segment depreciation expense	6,783	7,179	13,999	14,208
Amortization of intangible assets	2,422	2,590	4,915	5,196
Segment special charges	26,830	1,750	26,830	6,811
Remeasurement of acquisition-related contingent consideration	536	—	702	980
Total Adjusted Segment EBITDA	$ 58,886	$ 76,087	$ 114,903	$ 162,748

[(1)] Includes $3.2 million special charges for corporate.

14. Supplemental Condensed Consolidating Guarantor and Non-Guarantor Financial Information

Substantially all of our domestic subsidiaries are guarantors of borrowings under our Senior Bank Credit Facility and 2022 Notes. The guarantees are full and unconditional and joint and several. All of our guarantors are wholly owned, direct or indirect, subsidiaries.

The following financial information presents condensed consolidating balance sheets, statements of comprehensive income and statements of cash flows for FTI Consulting, all the guarantor subsidiaries, all the non-guarantor subsidiaries and the eliminations necessary to arrive at the consolidated information for FTI Consulting and its subsidiaries. For purposes of this presentation, we have accounted for our investments in our subsidiaries using the equity method of accounting. The principal eliminating entries eliminate investment in subsidiary and intercompany balances and transactions.

Condensed Consolidating Balance Sheet as of June 30, 2017

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$15,113	$158	$ 123,240	$—	$138,511
Accounts receivable, net	153,823	193,611	205,781	—	553,215
Intercompany receivables	—	1,026,529	18,610	(1,045,139)	—
Other current assets	35,918	21,818	28,327	—	86,063
Total current assets	204,854	1,242,116	375,958	(1,045,139)	777,789
Property and equipment, net	24,897	12,647	22,736	—	60,280
Goodwill	558,978	416,053	212,633	—	1,187,664
Other intangible assets, net	20,174	12,312	32,222	(16,495)	48,213
Investments in subsidiaries	2,119,854	516,041	—	(2,635,895)	—
Other assets	40,435	66,946	43,466	—	150,847
Total assets	$2,969,192	$2,266,115	$ 687,015	$(3,697,529)	$2,224,793
Liabilities					
Intercompany payables	$1,045,139	$—	$ —	$(1,045,139)	$—
Other current liabilities	82,260	127,094	105,384	—	314,738
Total current liabilities	1,127,399	127,094	105,384	(1,045,139)	314,738
Long-term debt, net	480,906	—	—	—	480,906
Other liabilities	221,709	16,940	51,322	—	289,971
Total liabilities	1,830,014	144,034	156,706	(1,045,139)	1,085,615
Stockholders' equity	1,139,178	2,122,081	530,309	(2,652,390)	1,139,178
Total liabilities and stockholders' equity	$2,969,192	$2,266,115	$ 687,015	$(3,697,529)	$2,224,793

Condensed Consolidating Balance Sheet as of December 31, 2016

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	$47,420	$156	$ 168,582	$—	$216,158
Accounts receivable, net	137,523	163,820	173,554	—	474,897
Intercompany receivables	—	1,029,800	—	(1,029,800)	—
Other current assets	44,708	24,944	22,464	—	92,116
Total current assets	229,651	1,218,720	364,600	(1,029,800)	783,171
Property and equipment, net	25,466	14,118	22,272	—	61,856
Goodwill	558,978	416,053	204,970	—	1,180,001
Other intangible assets, net	21,959	13,393	34,725	(17,957)	52,120
Investments in subsidiaries	2,065,819	490,634	—	(2,556,453)	—
Other assets	47,308	65,398	35,514	—	148,220
Total assets	$2,949,181	$2,218,316	$ 662,081	$(3,604,210)	$2,225,368
Liabilities					
Intercompany payables	$1,027,050	$—	$ 2,750	$(1,029,800)	$—
Other current liabilities	137,710	129,810	110,935	—	378,455
Total current liabilities	1,164,760	129,810	113,685	(1,029,800)	378,455
Long-term debt, net	365,528	—	—	—	365,528
Other liabilities	211,535	16,411	46,081	—	274,027
Total liabilities	1,741,823	146,221	159,766	(1,029,800)	1,018,010
Stockholders' equity	1,207,358	2,072,095	502,315	(2,574,410)	1,207,358
Total liabilities and stockholders' equity	$2,949,181	$2,218,316	$ 662,081	$(3,604,210)	$2,225,368

Condensed Consolidating Statement of Comprehensive Income (Loss) for the Three Months Ended June 30, 2017

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 163,649	$ 151,716	$ 131,480	$ (2,130)	$ 444,715
Operating expenses					
Direct cost of revenues	108,445	108,388	89,307	(2,069)	304,071
Selling, general and administrative expenses	45,908	30,953	30,542	(61)	107,342
Special charges	13,592	7,306	9,176	—	30,074
Acquisition-related contingent consideration	—	777	—	—	777
Amortization of other intangible assets	883	540	1,741	(742)	2,422
	168,828	147,964	130,766	(2,872)	444,686
Operating income (loss)	(5,179)	3,752	714	742	29
Other income (expense)	(5,361)	(71)	774	—	(4,658)
Income (loss) before income tax provision	(10,540)	3,681	1,488	742	(4,629)
Income tax (benefit) provision	(7,034)	4,219	3,342	—	527
Equity in net earnings of subsidiaries	(1,650)	(3,862)	—	5,512	—
Net loss	$ (5,156)	$ (4,400)	$ (1,854)	$ 6,254	$ (5,156)

Other comprehensive income, net of tax:					
Foreign currency translation adjustments, net of tax expense of $0	$ —	$ —	$ 10,174	$ —	$ 10,174
Total other comprehensive income, net of tax	—	—	10,174	—	10,174
Comprehensive income (loss)	$ (5,156)	$ (4,400)	$ 8,320	$ 6,254	$ 5,018

Condensed Consolidating Statement of Comprehensive Income (Loss) for the Three Months Ended June 30, 2016

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 175,278	$ 146,603	$ 140,557	$ (2,291)	$ 460,147
Operating expenses					
Direct cost of revenues	115,254	99,622	90,556	(2,238)	303,194
Selling, general and administrative expenses	45,983	31,065	31,250	(53)	108,245
Special charges	1,750	—	—	—	1,750
Acquisition-related contingent consideration	—	206	—	—	206
Amortization of other intangible assets	986	540	1,882	(818)	2,590
	163,973	131,433	123,688	(3,109)	415,985
Operating income	11,305	15,170	16,869	818	44,162
Other income (expense)	(6,892)	(1,559)	6,273	—	(2,178)
Income before income tax provision	4,413	13,611	23,142	818	41,984
Income tax provision	3,034	6,865	5,538	—	15,437
Equity in net earnings of subsidiaries	25,168	17,107	—	(42,275)	—
Net income	$ 26,547	$ 23,853	$ 17,604	$ (41,457)	$ 26,547
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments, net of tax expense of $0	$ —	$ —	$ (18,809)	$ —	$ (18,809)
Total other comprehensive loss, net of tax	—	—	(18,809)	—	(18,809)
Comprehensive income (loss)	$ 26,547	$ 23,853	$ (1,205)	$ (41,457)	$ 7,738

Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended June 30, 2017

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 315,456	$ 322,742	$ 257,583	$ (4,722)	$ 891,059
Operating expenses					
Direct cost of revenues	219,703	226,174	171,868	(4,602)	613,143
Selling, general and administrative expenses	91,706	61,937	61,114	(120)	214,637
Special charges	13,592	7,306	9,176	—	30,074
Acquisition-related contingent consideration	—	1,172	—	—	1,172
Amortization of other intangible assets	1,785	1,080	3,511	(1,461)	4,915
	326,786	297,669	245,669	(6,183)	863,941
Operating income (loss)	(11,330)	25,073	11,914	1,461	27,118
Other income (expense)	(10,613)	(498)	1,257	—	(9,854)
Income (loss) before income tax provision	(21,943)	24,575	13,171	1,461	17,264
Income tax provision (benefit)	(12,617)	15,137	5,884	—	8,404

Equity in net earnings of subsidiaries	18,186	4,711	—	(22,897)	—
Net income	$ 8,860	$ 14,149	$ 7,287	$ (21,436)	$ 8,860
Other comprehensive income, net of tax:					
Foreign currency translation adjustments, net of tax expense of $0	$ —	$ —	$ 17,544	$ —	$ 17,544
Total other comprehensive income, net of tax:	—	—	17,544	—	17,544
Comprehensive income	$ 8,860	$ 14,149	$ 24,831	$ (21,436)	$ 26,404

Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended June 30, 2016

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 358,272	$ 309,166	$ 267,623	$ (4,629)	$ 930,432
Operating expenses					
Direct cost of revenues	229,683	208,812	174,871	(4,536)	608,830
Selling, general and administrative expenses	90,650	61,786	59,511	(93)	211,854
Special charges	1,750	4,563	498	—	6,811
Acquisition-related contingent consideration	6	1,334	—	—	1,340
Amortization of other intangible assets	1,972	1,098	3,761	(1,635)	5,196
	324,061	277,593	238,641	(6,264)	834,031
Operating income	34,211	31,573	28,982	1,635	96,401
Other income (expense)	(11,969)	(2,269)	8,388	—	(5,850)
Income before income tax provision	22,242	29,304	37,370	1,635	90,551
Income tax provision	11,183	13,724	8,916	—	33,823
Equity in net earnings of subsidiaries	45,669	26,989	—	(72,658)	—
Net income	$ 56,728	$ 42,569	$ 28,454	$ (71,023)	$ 56,728
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments, net of tax expense of $0	$ —	$ —	$ (19,167)	$ —	$ (19,167)
Total other comprehensive loss, net of tax:	—	—	(19,167)	—	(19,167)
Comprehensive income	$ 56,728	$ 42,569	$ 9,287	$ (71,023)	$ 37,561

Condensed Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2017

	FTI Consulting	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Operating activities				