

NAVIGANT CONSULTING INC  
Form 10-Q  
July 29, 2015  
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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 June 30, 2015**

**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)**

**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

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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 July 27, 2015, 47,894,058 shares of the registrant's common stock, par value \$.001 per share, were outstanding.

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<b>Forward-Looking Statements</b>	

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, plan, 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, 2014 and Part I, 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, except per share data)**

	<b>June 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,854	\$ 2,648
Accounts receivable, net	223,717	187,652
Prepaid expenses and other current assets	28,923	27,142
Deferred income tax assets	13,683	13,455
<b>Total current assets</b>	<b>270,177</b>	<b>230,897</b>
Non-current assets:		
Property and equipment, net	72,496	60,617
Intangible assets, net	28,929	26,502
Goodwill	582,836	568,091
Other assets	19,547	17,386
<b>Total assets</b>	<b>\$ 973,985</b>	<b>\$ 903,493</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 11,951	\$ 11,735
Accrued liabilities	12,208	11,311
Accrued compensation-related costs	60,118	83,061
Income tax payable	3,132	1,763
Other current liabilities	40,402	52,526
<b>Total current liabilities</b>	<b>127,811</b>	<b>160,396</b>
Non-current liabilities:		
Deferred income tax liabilities	81,194	76,329
Other non-current liabilities	20,084	14,387
Bank debt non-current	171,386	109,790

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Total non-current liabilities	272,664	200,506
<b>Total liabilities</b>	<b>400,475</b>	<b>360,902</b>
Stockholders' equity:		
Common stock	64	64
Additional paid-in capital	622,260	611,882
Treasury stock	(287,684)	(275,608)
Retained earnings	251,307	218,337
Accumulated other comprehensive loss	(12,437)	(12,084)
Total stockholders' equity	573,510	542,591
<b>Total liabilities and stockholders' equity</b>	<b>\$ 973,985</b>	<b>\$ 903,493</b>

See accompanying notes to unaudited consolidated financial statements.

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	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Revenues before reimbursements	\$ 211,023	\$ 186,504	\$ 412,179	\$ 361,560
Reimbursements	22,416	21,593	44,431	44,285
Total revenues	233,439	208,097	456,610	405,845
Cost of services before reimbursable expenses	145,367	126,792	283,968	246,920
Reimbursable expenses	22,416	21,593	44,431	44,285
Total costs of services	167,783	148,385	328,399	291,205
General and administrative expenses	39,068	34,237	74,733	67,339
Depreciation expense	5,724	4,953	11,079	9,262
Amortization expense	2,297	1,633	4,566	2,995
Other operating costs (benefit):				
Contingent acquisition liability adjustments, net	2,308	(2,444)	(12,625)	(3,604)
Office consolidation, net	1,804		2,740	
Goodwill impairment		122,045		122,045
Other impairment	98	204	98	204
Operating income (loss)	14,357	(100,916)	47,620	(83,601)
Interest expense	1,238	1,397	2,970	2,235
Interest income	(46)	(71)	(101)	(160)
Other (income) expense, net	176	186	(152)	268
Income (loss) from continuing operations before income tax (benefit) expense	12,989	(102,428)	44,903	(85,944)
Income tax (benefit) expense	5,162	(26,569)	11,933	(20,455)
Net income (loss) from continuing operations	7,827	(75,859)	32,970	(65,489)
Income from discontinued operations, net of tax				509
Net income (loss)	\$ 7,827	\$ (75,859)	\$ 32,970	\$ (64,980)
Basic per share data				
Net income (loss) from continuing operations	\$ 0.16	\$ (1.55)	\$ 0.68	\$ (1.34)
Income from discontinued operations, net of tax				0.01
Net income (loss)	\$ 0.16	\$ (1.55)	\$ 0.68	\$ (1.33)

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Shares used in computing basic per share data	48,150	48,971	48,137	48,917
<b>Diluted per share data</b>				
Net income (loss) from continuing operations	\$ 0.16	\$ (1.55)	\$ 0.67	\$ (1.34)
Income from discontinued operations, net of tax				0.01
Net income (loss)	\$ 0.16	\$ (1.55)	\$ 0.67	\$ (1.33)
<b>Shares used in computing diluted per share data</b>				
Net income (loss)	\$ 7,827	\$ (75,859)	\$ 32,970	\$ (64,980)
<b>Other comprehensive income (loss), net of tax</b>				
Unrealized net gain (loss), foreign currency translation	2,834	786	(244)	692
Unrealized net loss on interest rate derivatives	(46)	(14)	(264)	(34)
Reclassification adjustment on interest rate derivatives included in interest expense and income tax expense	80	39	155	77
Other comprehensive income (loss), net of tax	2,868	811	(353)	735
Total comprehensive income (loss), net of tax	\$ 10,695	\$ (75,048)	\$ 32,617	\$ (64,245)

See accompanying notes to unaudited consolidated financial statements.



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**NAVIGANT CONSULTING, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(In thousands)

	Common Stock Shares	Treasury Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock Cost	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stock- holders Equity
Balance at December 31, 2014	63,708	(15,491)	\$ 64	\$ 611,882	\$ (275,608)	\$ (12,084)	\$ 218,337	\$ 542,591
Comprehensive income (loss)						(353)	32,970	32,617
Issuances of common stock	412			4,894				4,894
Tax benefits on stock options exercised and restricted stock units vested				239				239
Vesting of restricted stock and restricted stock units, net of forfeitures and tax withholdings	246			(1,571)	5			(1,566)
Share-based compensation expense				5,524				5,524
Additional paid-in capital recorded through compensation expense				1,292				1,292
Repurchases of common stock		(848)			(12,081)			(12,081)
Balance at June 30, 2015	64,366	(16,339)	\$ 64	\$ 622,260	\$ (287,684)	\$ (12,437)	\$ 251,307	\$ 573,510

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)

	<b>For the six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 32,970	\$ (64,980)
<b>Adjustments to reconcile net income (loss) to net cash used in operating activities:</b>		
Depreciation expense	11,079	9,262
Accelerated depreciation - office consolidation	139	
Amortization expense	4,566	2,995
Amortization expense - client-facing software	486	242
Share-based compensation expense	5,524	5,236
Accretion of interest expense	1,135	654
Deferred income taxes	4,686	(24,395)
Allowance for doubtful accounts receivable	1,592	2,784
Contingent acquisition liability adjustments, net	(12,625)	(3,604)
Gain on disposition of discontinued operations		(509)
Goodwill impairment		122,045
Other impairment	98	204
<b>Changes in assets and liabilities (net of acquisitions and dispositions):</b>		
Accounts receivable	(36,747)	(29,293)
Prepaid expenses and other assets	(2,361)	141
Accounts payable	136	(4,216)
Accrued liabilities	1,444	(1,695)
Accrued compensation-related costs	(22,896)	(21,619)
Income taxes payable	46	(837)
Other liabilities	5,923	(4,879)
Net cash used in operating activities	(4,805)	(12,464)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(23,197)	