

NAVIGANT CONSULTING INC
Form 10-Q
April 26, 2019

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 March 31, 2019

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 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.)

150 North Riverside Plaza, Suite 2100, Chicago, Illinois 60606

(Address of principal executive offices, including zip code)

(312) 573-5600

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(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 every Interactive Data File required to be submitted 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 such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	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. YES NO

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 April 18, 2019, 39,346,610 shares of the registrant's common stock, par value \$.001 per share, were outstanding.

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Forward-Looking Statements

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,” “may,” “should,” “could,” “intend,” “estimate,” “expect,” “likely,” “continue,” “plan,” “project,” “outlook” and similar expressions. These statements are based upon management’s current expectations and speak only as of the date of this report. The Company cautions readers that there may be events in the future that the Company is 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, without limitation: the risk of unanticipated costs, liabilities or an adverse impact on the Company’s business operations arising from the Company’s provision of post-divestiture transition services and support in connection with the sale of the Company’s Disputes, Forensics and Legal Technology segment and the transaction advisory services practice within the Company’s Financial Services Advisory and Compliance segment; the execution of the Company’s long-term growth objectives and margin improvement initiatives; risks inherent in international operations, including foreign currency fluctuations; ability to make acquisitions and divestitures and complete such acquisitions and divestitures in the time anticipated; pace, timing and integration of acquisitions; operational risks associated with new or expanded service areas, including business process management services; impairments; changes in accounting standards or tax rates, laws or regulations; management of professional staff, including dependence on key personnel, recruiting, retention, attrition and the ability to successfully integrate new consultants into the Company’s practices; utilization rates; conflicts of interest; potential loss of clients or large engagements and the Company’s ability to attract new business; brand equity; competition; accurate pricing of engagements, particularly fixed fee and multi-year engagements; clients’ financial condition and their ability to make payments to the Company; risks inherent with litigation; higher risk client assignments; government contracting; professional liability; information security; the adequacy of our business, financial and information systems and technology; maintenance of effective internal controls; potential legislative and regulatory changes; continued and sufficient access to capital; compliance with covenants in our credit agreement; interest rate risk; and market and general economic and political conditions. Further information on these and other potential factors that could affect the Company’s business and financial condition and the results of operations are included in the “Risk Factors” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, and elsewhere in the Company’s filings with the Securities and Exchange Commission (“SEC”), which are available on the SEC’s website or at investors.navigant.com. The Company cannot guarantee any future results, levels of activity, performance or achievement and undertakes no obligation to update any of its forward-looking statements.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 107,217	\$ 206,920
Accounts receivable, net and contract assets	186,523	179,923
Prepaid expenses and other current assets	26,835	22,512
Total current assets	320,575	409,355
Non-current assets:		
Property and equipment, net	61,374	63,025
Operating lease right-of-use assets	83,959	-
Intangible assets, net	15,470	14,166
Goodwill	425,069	422,357
Other assets	8,703	8,644
Total assets	\$ 915,150	\$ 917,547
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 12,869	\$ 13,302
Accrued liabilities	16,075	15,558
Accrued compensation-related costs	40,784	69,555
Income tax payable	10,519	13,357
Operating lease liabilities	22,368	-
Other current liabilities	22,761	34,044
Total current liabilities	125,376	145,816
Non-current liabilities:		
Deferred income tax liabilities	38,492	33,901
Operating lease liabilities	85,297	-
Other non-current liabilities	4,321	25,277
Total non-current liabilities	128,110	59,178
Total liabilities	253,486	204,994
Stockholders' equity:		
Common stock	49	49
Additional paid-in capital	666,794	664,473
Treasury stock	(214,465)	(160,972)
Retained earnings	213,830	211,543
Accumulated other comprehensive loss	(6,971)	(6,529)

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Total Navigant Consulting, Inc. stockholders' equity	659,237	708,564
Non-controlling interest	2,427	3,989
Total stockholders' equity	661,664	712,553
Total liabilities and stockholders' equity	\$ 915,150	\$ 917,547

See accompanying notes to unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data (1))

	For the three months ended	
	March 31,	
	2019	2018
Revenues before reimbursements	\$ 186,129	\$ 161,445
Reimbursements	16,733	16,623
Total revenues	202,862	178,068
Cost of services before reimbursable expenses	135,356	116,936
Reimbursable expenses	16,733	16,623
Total cost of services	152,089	133,559
General and administrative expenses	35,167	37,079
Depreciation expense	4,586	4,997
Amortization expense	1,372	1,752
Other operating costs	32	983
Operating income (loss)	9,616	(302)
Interest expense	318	828
Interest income	(689)	(119)
Other expense, net	132	361
Income (loss) from continuing operations before income tax expense	9,855	(1,372)
Income tax expense	3,047	225
Net income (loss) from continuing operations	6,808	(1,597)
(Loss) income from discontinued operations, net of tax	(489)	13,450
Net income	6,319	11,853
Less: Income attributable to non-controlling interest, net of tax	(2,038)	-
Net income attributable to Navigant Consulting, Inc.	\$ 4,281	\$ 11,853
Basic net income per share		
Net income (loss) from continuing operations attributable to Navigant Consulting, Inc.	\$ 0.12	\$ (0.04)
(Loss) income from discontinued operations, net of tax	(0.01)	0.30
Net income attributable to Navigant Consulting, Inc. (1)	\$ 0.11	\$ 0.26
Shares used in computing basic per share data	40,218	45,120
Diluted net income per share		
Net income (loss) from continuing operations attributable to Navigant Consulting, Inc.	\$ 0.12	\$ (0.04)
(Loss) income from discontinued operations, net of tax	(0.01)	0.30
Net income attributable to Navigant Consulting, Inc. (1)	\$ 0.10	\$ 0.26
Shares used in computing diluted per share data	41,408	45,120
Net income	\$ 6,319	\$ 11,853
Other comprehensive (loss) income, net of tax:		
Unrealized net (loss) gain, foreign currency translation	(442)	1,369
Unrealized net gain on interest rate derivatives	-	250

Reclassification adjustment on interest rate derivatives included in

interest expense and income tax expense	-	7
Other comprehensive (loss) income, net of tax	(442)	1,626
Total comprehensive income, net of tax	5,877	13,479
Income attributable to non-controlling interest, net of tax	(2,038)	-
Total comprehensive income attributable to Navigant Consulting, Inc., net of tax	\$ 3,839	\$ 13,479

(1) Earnings per share may not foot due to rounding.

See accompanying notes to unaudited consolidated financial statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Navigant Consulting, Inc. Shareholders					Accumulated Other Comp- rehensive Loss	Retained Earnings	Non-Controlling Interest	Total Stock-holders' Equity
	Common Stock Shares	Treasury Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock Cost				
Balance at December 31, 2018	49,387	(8,114)	\$ 49	\$664,473	\$(160,972)	\$(6,529)	\$211,543	\$ 3,989	\$712,553
Distributions to non-controlling interests								(3,600)	(3,600)
Comprehensive (loss) income	-	-	-	-	-	(442)	4,281	2,038	5,877
Dividends paid (\$0.05 per share)							(1,994)	-	(1,994)
Issuances of common stock	69	-	-	856	-	-	-	-	856
Vesting of restricted stock units, net of forfeitures and tax withholdings	90	-	-	(1,304)	-	-	-	-	(1,304)
Share-based compensation expense	-	-	-	2,769	-	-	-	-	2,769
Repurchases of common stock	-	(2,317)	-	-	(53,493)	-	-	-	(53,493)
Balance at March 31, 2019	49,546	(10,431)	\$ 49	\$666,794	\$(214,465)	\$(6,971)	\$213,830	\$ 2,427	\$661,664

Navigant Consulting, Inc. Shareholders					Treasury Stock Cost	Accumulated Other Comp-	Retained Earnings	Total Stock-holders' Equity
Common Stock Shares	Treasury Stock Shares	Common Stock Par Value	Additional Paid-In Capital					

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						Comprehensive Loss		
Balance at December 31, 2017	58,047	(12,661)	\$ 58	\$ 659,825	\$(224,366)	\$(19,178)	\$ 270,995	\$ 687,334
Cumulative-effect adjustment resulting from the adoption of ASU 2014-09 (Note 2)	-	-	-	-	-	-	151	151
Comprehensive income	-	-	-	-	-	1,626	11,853	13,479
Issuances of common stock	89	-	-	1,238	-	-	-	1,238
Vesting of restricted stock units, net of forfeitures and tax withholdings	94	-	-	(1,516)	-	-	-	(1,516)
Share-based compensation expense	-	-	-	3,377	-	-	-	3,377
Repurchases of common stock	-	(569)	-	-	(11,357)	-	-	(11,357)
Balance at March 31, 2018	58,230							