

FTI CONSULTING INC
Form 10-Q
July 28, 2016

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, 2016

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

(202) 312-9100

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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 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 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 22, 2016
Common stock, par value \$0.01 per share	42,179,584

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)

(Unaudited)

Item 1. Financial Statements

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 182,665	\$ 149,760
Accounts receivable:		
Billed receivables	415,750	405,000
Unbilled receivables	330,730	280,538
Allowance for doubtful accounts and unbilled services	(199,182)	(185,754)
Accounts receivable, net	547,298	499,784
Current portion of notes receivable	34,418	36,115
Prepaid expenses and other current assets	47,361	55,966
Total current assets	811,742	741,625
Property and equipment, net of accumulated depreciation	68,764	74,760
Goodwill	1,189,602	1,198,298
Other intangible assets, net of amortization	57,568	63,935
Notes receivable, net of current portion	112,095	106,882
Other assets	47,693	43,518
Total assets	\$ 2,287,464	\$ 2,229,018
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 94,782	\$ 89,845
Accrued compensation	193,826	227,783
Billings in excess of services provided	36,434	29,449
Total current liabilities	325,042	347,077
Long-term debt, net	495,150	494,772
Deferred income taxes	161,433	139,787
Other liabilities	102,596	99,779
Total liabilities	1,084,221	1,081,415
Commitments and contingent liabilities (note 10)		
Stockholders' equity		
Preferred stock, \$0.01 par value; shares authorized — 5,000; none outstanding	—	—
Common stock, \$0.01 par value; shares authorized — 75,000;	420	412

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shares issued and outstanding — 42,083 (2016) and 41,234 (2015)		
Additional paid-in capital	418,776	400,705
Retained earnings	912,209	855,481
Accumulated other comprehensive loss	(128,162)	(108,995)
Total stockholders' equity	1,203,243	1,147,603
Total liabilities and stockholders' equity	\$2,287,464	\$ 2,229,018

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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenues	\$460,147	\$449,137	\$930,432	\$881,475
Operating expenses				
Direct cost of revenues	303,194	291,469	608,830	570,499
Selling, general and administrative expenses	108,245	109,045	211,854	211,259
Special charges	1,750	—	6,811	—
Acquisition-related contingent consideration	206	(1,538)	1,340	(1,304)
Amortization of other intangible assets	2,590	3,007	5,196	6,019
	415,985	401,983	834,031	786,473
Operating income	44,162	47,154	96,401	95,002
Other income (expense)				
Interest income and other	4,125	950	6,682	813
Interest expense	(6,303)	(12,473)	(12,532)	(24,841)
	(2,178)	(11,523)	(5,850)	(24,028)
Income before income tax provision	41,984	35,631	90,551	70,974
Income tax provision	15,437	13,922	33,823	25,579
Net income	\$26,547	\$21,709	\$56,728	\$45,395
Earnings per common share — basic	\$0.65	\$0.53	\$1.40	\$1.12
Earnings per common share — diluted	\$0.64	\$0.52	\$1.37	\$1.09
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments, net of tax expense				
of \$0	\$(18,809)	\$13,298	\$(19,167)	\$(7,184)
Total other comprehensive (loss) income, net of tax	(18,809)	13,298	(19,167)	(7,184)
Comprehensive income	\$7,738	\$35,007	\$37,561	\$38,211

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, 2015	41,234	\$ 412	\$ 400,705	\$ 855,481	\$ (108,995)	\$ 1,147,603
Net income	—	—	—	\$ 56,728	—	\$ 56,728
Other comprehensive income (loss):						
Foreign currency translation adjustment	—	—	—	—	(19,167)	(19,167)
Issuance of common stock in connection with:						
Exercise of options, net of income tax benefit						
from share-based awards of \$946	423	4	12,657	—	—	12,661
Restricted share grants, less net settled shares						
of 79	511	5	(2,764)	—	—	(2,759)
Stock units issued under incentive compensation						
plan	—	—	1,842	—	—	1,842
Purchase and retirement of common stock	(85)	(1)	(2,902)	—	—	(2,903)
Share-based compensation	—	—	9,238	—	—	9,238
Balance at June 30, 2016	42,083	\$ 420	\$ 418,776	\$ 912,209	\$ (128,162)	\$ 1,203,243

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,	
	2016	2015
Operating activities		
Net income	\$56,728	\$45,395
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	16,049	15,111
Amortization and impairment of other intangible assets	5,196	6,019
Acquisition-related contingent consideration	1,340	(1,304)
Provision for doubtful accounts	4,344	6,571
Non-cash share-based compensation	9,667	10,581
Non-cash interest expense	992	1,343
Other	(639)	(223)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, billed and unbilled	(57,501)	(70,710)
Notes receivable	(4,640)	(6,626)
Prepaid expenses and other assets	(943)	(5,120)
Accounts payable, accrued expenses and other	1,932	(2,435)
Income taxes	29,329	16,458
Accrued compensation	(28,518)	(40,587)
Billings in excess of services provided	7,297	(5,204)
Net cash provided by (used in) operating activities	40,633	(30,731)
Investing activities		
Payments for acquisition of businesses, net of cash received	(56)	(576)
Purchases of property and equipment	(11,983)	(17,533)
Other	96	64
Net cash used in investing activities	(11,943)	(18,045)
Financing activities		
Payments of debt issue costs	—	(3,090)
Deposits	2,557	2,423
Purchase and retirement of common stock	(2,903)	—
Net issuance of common stock under equity compensation plans	9,353	8,662
Other	(154)	(326)
Net cash provided by financing activities	8,853	7,669
Effect of exchange rate changes on cash and cash equivalents	(4,638)	(2,585)
Net increase (decrease) in cash and cash equivalents	32,905	(43,692)

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Cash and cash equivalents, beginning of period	149,760	283,680
Cash and cash equivalents, end of period	\$182,665	\$239,988
Supplemental cash flow disclosures		
Cash paid for interest	\$11,242	\$23,047
Cash paid for income taxes, net of refunds	4,493	9,121
Non-cash investing and financing activities:		
Issuance of stock units under incentive compensation plans	1,842	2,124

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, 2015 filed with the SEC.

2. Earnings Per Common Share

Basic earnings per common share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share adjust basic earnings 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 stock using the treasury stock method.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Numerator—basic and diluted				
Net income	\$ 26,547	\$ 21,709	\$ 56,728	\$ 45,395
Denominator				
Weighted average number of common shares				
outstanding — basic	40,820	40,792	40,663	40,607
Effect of dilutive stock options	316	451	223	414

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Effect of dilutive restricted shares	463	453	487	508
Weighted average number of common shares				
outstanding — diluted	41,599	41,696	41,373	41,529
Earnings per common share — basic	\$0.65	\$0.53	\$1.40	\$1.12
Earnings per common share — diluted	\$0.64	\$0.52	\$1.37	\$1.09
Antidilutive stock options and restricted shares	1,374	1,524	2,016	1,849

3. New Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires the estimation and recording of expected credit losses on financial assets based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This guidance is effective beginning January 1, 2020. We have not yet determined the impact that the adoption of this guidance will have on our consolidated financial statements and disclosures.

In March 2016, the FASB issued 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, which are intended to simplify various aspects of the accounting for share-based compensation. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective beginning January 1, 2017, although early adoption is permitted. We have not yet determined the impact that the adoption of this guidance will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), that replaces existing lease guidance. Under this ASU, leases 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, revenue is 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. This guidance is effective beginning January 1, 2018. We are currently evaluating how the adoption of this accounting standard will impact our consolidated financial statements and related disclosures, including the transition approach.

4. Special Charges

During the three months ended June 30, 2016, we recorded special charges totaling \$1.7 million related to the termination of 19 employees in the health solutions practice of our Forensic and Litigation Consulting (“FLC”) 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 special charges of \$6.8 million related to the employee terminations in the health solutions practice of our FLC segment as described above, and special charges recorded during the three months ended March 31, 2016 related to employee terminations in our Technology segment.

Activity related to the liability for these costs for the six months ended June 30, 2016 is as follows:

	Employee Termination Costs	Lease Termination Costs	Total
Balance at December 31, 2015	\$ 7,768	\$ 4,045	\$11,813
Additions ⁽¹⁾	7,023	—	7,023
Payments	(4,345)	(386)	(4,731)
Foreign currency translation adjustment and other	(3)	—	(3)
Balance at June 30, 2016	\$ 10,443	\$ 3,659	\$14,102

⁽¹⁾Excludes \$0.2 million in net non-cash expense reversals.

A liability for the current and noncurrent portions of the amounts to be paid is included in “Accounts payable, accrued expenses and other” and “Other liabilities,” respectively, on the Condensed Consolidated Balance Sheets. Of the \$14.1 million liability for special charges, \$4.5 million is expected to be paid during the remainder of 2016, \$4.1 million is

expected to be paid in 2017, \$2.6 million is expected to be paid in 2018, \$1.2 million is expected to be paid in 2019 and the remaining balance of \$1.7 million is expected to be paid between 2020 and 2026.

5. Allowance for Doubtful Accounts and Unbilled Services

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenue 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 included in "Selling, general and administrative expenses" on the Condensed Consolidated Statements of Comprehensive Income and totaled \$3.9 million and \$4.3 million for the three and six months ended June 30, 2016, respectively, and \$3.6 million and \$6.6 million for the three and six months ended June 30, 2015, respectively.

6. Research and Development Costs

Research and development costs related to software development totaled \$4.5 million and \$8.5 million for the three and six months ended June 30, 2016, respectively, and \$4.8 million and \$10.7 million for the three and six months ended June 30, 2015,

respectively. Research and development costs are included in “Selling, general and administrative expenses” on the Condensed Consolidated Statements of Comprehensive Income.

7. Financial Instruments

Fair Value of 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, 2016 and December 31, 2015, based on the short-term nature of the assets and liabilities. The fair value of our long-term debt at June 30, 2016 was \$516.5 million compared to a carrying value of \$500.0 million. At December 31, 2015, the fair value of our long-term debt was \$513.5 million compared to a carrying value of \$500.0 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.

We estimate the fair value of acquisition-related contingent consideration based on the present value of the consideration expected to be paid during the remainder of the earn-out period, based on management’s assessment of the acquired operations’ forecasted earnings. This fair value measure is based on significant inputs not observed in the market and thus represents a Level 3 measurement.

The significant unobservable inputs used in the fair value measurements of our acquisition-related contingent consideration include our measures of the future profitability and related cash flows of the acquired business or assets, impacted by appropriate discount rates. Significant increases (decreases) in any of these inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumptions used for the discount rates is accompanied by a directionally opposite change in the fair value measurement and a change in the assumptions used for the future cash flows is accompanied by a directionally similar change in the fair value measurement. The fair value of the contingent consideration is reassessed on a quarterly basis by the Company using additional information as it becomes available.

Any change in the fair value of an acquisition’s contingent consideration liability results in a remeasurement gain or loss that is recorded as income or expense, respectively, and is included in “Acquisition-related contingent consideration” on the Condensed Consolidated Statements of Comprehensive Income. There was no remeasurement gain or loss recorded during the three months ended June 30, 2016. During the six months ended June 30, 2016, we recorded a \$1.0 million expense related to the increase in the liability for future expected contingent consideration payments, driven by improved business results in the current period as well as expected results during the remainder of the earn-out period. During the three and six months ended June 30, 2015, we recorded a \$1.7 million gain related to the change in fair value of future contingent consideration payments, of which \$1.5 million related to a termination of a contingent consideration arrangement for which no future payments will be made.

8. Goodwill and Other Intangible Assets

Goodwill

The changes in the carrying amounts of goodwill by operating segment for the six months ended June 30, 2016, are as follows:

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Total
Balance at December 31, 2015						
Goodwill	441,548	235,211	269,341	117,888	328,449	1,392,437
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2015	\$ 441,548	\$ 235,211	\$ 269,341	\$ 117,888	\$ 134,310	\$ 1,198,298
Foreign currency translation adjustment and other	435	(2,255)	(565)	(159)	(6,152)	(8,696)
Goodwill	441,983	232,956	268,776	117,729	322,297	1,383,741
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at June 30, 2016	\$ 441,983	\$ 232,956	\$ 268,776	\$ 117,729	\$ 128,158	\$ 1,189,602

Other Intangible Assets

Other intangible assets with finite lives are amortized over their estimated useful lives. For intangible assets with finite lives, we recorded amortization expense of \$2.6 million and \$5.2 million for the three and six months ended June 30, 2016, respectively, and \$3.0 million and \$6.0 million for the three and six months ended June 30, 2015 respectively. Based solely on the amortizable intangible assets recorded as of June 30, 2016, we estimate amortization expense to be \$5.1 million during the remainder of 2016, \$9.4 million in 2017, \$7.9 million in 2018, \$7.2 million in 2019, \$7.1 million in 2020, \$6.6 million in 2021 and \$8.7 million in years after 2021. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, finalization of asset valuations for newly acquired assets, changes in useful lives, changes in value due to foreign currency translation, and other factors.

9. Long-Term Debt

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

	June 30, 2016	December 31, 2015
6% senior notes due 2022	300,000	300,000
Senior Bank Credit Facility	200,000	200,000
Total debt	500,000	500,000
Less deferred debt issue costs	(4,850)	(5,228)
Long-term debt, net	\$495,150	\$ 494,772

There were \$200.0 million in borrowings outstanding under the Company's Senior Bank Credit Facility as of June 30, 2016. The Company has classified these borrowings as long-term debt in the accompanying Condensed Consolidated Balance Sheets as the Company has the intent and ability, as supported by availability under the credit agreement entered into as of June 26, 2015, to refinance these borrowings for more than one year from the applicable balance sheet date. Additionally, \$1.4 million of the borrowing limit was utilized (and, therefore, unavailable) as of June 30, 2016 for letters of credit.

For further information on our 2022 Notes and Senior Bank Credit Facility, see footnote "12. Long-Term Debt" in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2015.

10. Commitments and Contingencies

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

Share-based Awards and Share-based Compensation Expense

During the three months ended June 30, 2016, we awarded 271,064 restricted stock awards and 11,844 restricted stock units. During the six months ended June 30, 2016, we granted stock options exercisable for up to 118,865 shares, 496,336 restricted stock awards, 64,948 restricted stock units and 83,914 performance stock units. These awards are recorded as equity on the Condensed Consolidated Balance Sheets. During the three months ended June 30, 2016, stock options exercisable for up to 73,832 shares and 14,022 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 ended June 30, 2016 and 2015 is detailed in the following table:

Income Statement Classification	Three Months Ended		Six Months Ended	
	June 30,	2015	June 30,	2015
Direct cost of revenues	\$ 2,279	\$ 2,234	\$6,127	\$6,133
Selling, general and administrative expenses	2,499	2,134	5,208	5,177
Special charges	—	—	105	—
Total share-based compensation expense	\$ 4,778	\$ 4,368	\$11,440	\$11,310

12. 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 businesses around the world and provides consulting and advisory services on a wide range of areas, such as restructuring (including bankruptcy), interim management, financings, mergers and acquisitions (“M&A”), M&A integration, valuations and tax issues, as well as financial, operational and performance improvement. Our distressed service offerings generally include corporate restructurings and interim management, and our non-distressed service offerings generally include all other services mentioned above.

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

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 provides e-discovery and information governance, hosting and consulting services and software to its clients. It provides products, services and consulting to companies, law firms, courts and government agencies worldwide. Its comprehensive suite of software and services help clients locate, review and produce electronically stored information (“ESI”), including e-mail, computer files, voicemail, instant messaging, cloud and social media data, as well as financial and transactional data.

Our Strategic Communications segment provides advice and consulting services relating to financial and corporate communications, investor relations, reputation management, brand communications, public affairs, business consulting, digital design and marketing.

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 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 is a useful supplemental measure which 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		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenues				
Corporate Finance & Restructuring	\$ 132,142	\$ 109,113	\$ 259,298	\$ 215,325
Forensic and Litigation Consulting	118,193	126,131	237,197	249,396
Economic Consulting	118,006	108,698	248,737	214,779
Technology	41,882	61,826	90,163	116,480
Strategic Communications	49,924	43,369	95,037	85,495
Total revenues	\$ 460,147	\$ 449,137	\$ 930,432	\$ 881,475
Adjusted Segment EBITDA				
Corporate Finance & Restructuring	\$ 32,041	\$ 22,032	\$ 63,644	\$ 44,512
Forensic and Litigation Consulting	15,190	19,979	34,998	42,050
Economic Consulting	15,381	15,292	36,700	26,848
Technology	5,035	12,166	12,858	22,239
Strategic Communications	8,440	5,631	14,548	11,383
Total Adjusted Segment EBITDA	\$ 76,087	\$ 75,100	\$ 162,748	\$ 147,032

The table below reconciles Total Adjusted Segment EBITDA to income before income tax provision:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Total Adjusted Segment EBITDA	\$ 76,087	\$ 75,100	\$ 162,748	\$ 147,032
Segment depreciation expense	(7,179)	(6,513)	(14,208)	(13,504)
Amortization of intangible assets	(2,590)	(3,007)	(5,196)	(6,019)
Special charges	(1,750)	—	(6,811)	—
Unallocated corporate expenses, excluding special charges	(20,406)	(20,101)	(39,152)	(34,182)
Interest income and other	4,125	950	6,682	813
Interest expense	(6,303)	(12,473)	(12,532)	(24,841)
Remeasurement of acquisition-related contingent consideration	—	1,675	(980)	1,675
Income before income tax provision	\$ 41,984	\$ 35,631	\$ 90,551	\$ 70,974

13. 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 (loss) 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 Information as of June 30, 2016

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 73,009	\$ 163	\$ 109,493	\$—	\$ 182,665
Accounts receivable, net	174,100	176,861	196,337	—	547,298
Intercompany receivables	—	961,704	34,648	(996,352)	—
Other current assets	41,736	19,795	20,248	—	81,779
Total current assets	288,845	1,158,523	360,726	(996,352)	811,742
Property and equipment, net	30,270	13,773	24,721	—	68,764
Goodwill	558,978	416,053	214,571	—	1,189,602
Other intangible assets, net	23,891	14,473	38,610	(19,406)	57,568
Investments in subsidiaries	2,036,140	494,788	—	(2,530,928)	—
Other assets	52,437	69,685	37,666	—	159,788
Total assets	\$ 2,990,561	\$ 2,167,295	\$ 676,294	\$(3,546,686)	\$ 2,287,464
Liabilities					
Intercompany payables	\$ 966,409	\$—	\$ 29,943	\$(996,352)	—
Other current liabilities	118,913	107,893	98,236	—	325,042
Total current liabilities	1,085,322	107,893	128,179	(996,352)	325,042
Long-term debt, net	495,150	—	—	—	495,150
Other liabilities	206,846	14,233	42,950	—	264,029
Total liabilities	1,787,318	122,126	171,129	(996,352)	1,084,221
Stockholders' equity	1,203,243	2,045,169	505,165	(2,550,334)	1,203,243
Total liabilities and stockholders' equity	\$ 2,990,561	\$ 2,167,295	\$ 676,294	\$(3,546,686)	\$ 2,287,464

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Condensed Consolidating Balance Sheet Information as of December 31, 2015

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 35,211	\$ 165	\$ 114,384	\$—	\$ 149,760
Accounts receivable, net	159,121	169,488	171,175	—	499,784
Intercompany receivables	—	936,452	62,651	(999,103)	—
Other current assets	44,086	25,627	22,368	—	92,081
Total current assets	238,418	1,131,732	370,578	(999,103)	741,625
Property and equipment, net	33,699	13,409	27,652	—	74,760
Goodwill	558,978	416,053	223,267	—	1,198,298
Other intangible assets, net	25,863	15,571	43,542	(21,041)	63,935
Investments in subsidiaries	1,995,409	486,462	—	(2,481,871)	—
Other assets	40,359	72,981	37,060	—	150,400
Total assets	\$ 2,892,726	\$ 2,136,208	\$ 702,099	\$(3,502,015)	\$ 2,229,018
Liabilities					
Intercompany payables	\$ 930,066	\$ 8,921	\$ 60,116	\$(999,103)	\$—
Other current liabilities	135,421	107,188	104,468	—	347,077
Total current liabilities	1,065,487	116,109	164,584	(999,103)	347,077
Long-term debt, net	494,772	—	—	—	494,772
Other liabilities	184,864	12,562	42,140	—	239,566
Total liabilities	1,745,123	128,671	206,724	(999,103)	1,081,415
Stockholders' equity	1,147,603	2,007,537	495,375	(2,502,912)	1,147,603
Total liabilities and stockholders' equity	\$ 2,892,726	\$ 2,136,208	\$ 702,099	\$(3,502,015)	\$ 2,229,018

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

	FTI Consulting, Inc.	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 (expense) income	(6,892)	(1,559)	6,273	—	(2,178)
Income before income tax provision	4,413	13,611	23,142	818	41,984

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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

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Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended June 30, 2015

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 172,899	\$ 289,431	\$ 125,484	\$ (138,677)	\$ 449,137
Operating expenses					
Direct cost of revenues	106,517	238,186	85,255	(138,489)	291,469
Selling, general and administrative expenses	48,177	30,962	30,094	(188)	109,045
Special charges	—	—	—	—	—
Acquisition-related contingent consideration	(1,485)	(53)	—	—	(1,538)
Amortization of other intangible assets	986	716	2,202	(897)	3,007
	154,195	269,811	117,551	(139,574)	401,983
Operating income	18,704	19,620	7,933	897	47,154
Other (expense) income	(11,709)	(1,053)	1,239	—	(11,523)
Income before income tax provision	6,995	18,567	9,172	897	35,631
Income tax provision	4,124	8,267	1,531	—	13,922
Equity in net earnings of subsidiaries	18,838	6,851	—	(25,689)	—
Net income	\$ 21,709	\$ 17,151	\$ 7,641	\$ (24,792)	\$ 21,709
Other comprehensive income, net of tax:					
Foreign currency translation adjustments, net of					
tax expense of \$0	—	—	13,298	—	13,298
Total other comprehensive income, net of tax:	—	—	13,298	—	13,298
Comprehensive income	\$ 21,709	\$ 17,151	\$ 20,939	\$ (24,792)	\$ 35,007

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

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Other (expense) income	(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

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Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended June 30, 2015

	FTI Consulting, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 342,034	\$ 433,570	\$ 247,336	\$(141,465)	\$ 881,475
Operating expenses					
Direct cost of revenues	211,580	334,773	165,338	(141,192)	570,499
Selling, general and administrative expenses	91,588	60,839	59,105	(273)	211,259
Special charges	—	—	—	—	—
Acquisition-related contingent consideration	(1,420)	116	—	—	(1,304)
Amortization of other intangible assets	1,972	1,431	4,383	(1,767)	6,019
	303,720				