

CB RICHARD ELLIS GROUP INC
Form 10-Q
August 09, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2005

.. **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 001-32205

CB RICHARD ELLIS GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

94-3391143
(I.R.S. Employer Identification Number)

100 N. Sepulveda Boulevard, Suite 1050

El Segundo, California

90245

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(Address of principal executive offices)

(Zip Code)

(310) 606-4700

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year if changed since last report)

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 is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No .

The number of shares of Class A common stock outstanding at August 1, 2005 was 72,574,851.

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June 30, 2005

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	June 30,	December 31,
	2005	2004
	<u> </u>	<u> </u>
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 192,217	\$ 256,896
Restricted cash	5,841	9,213
Receivables, less allowance for doubtful accounts of \$16,556 and \$14,811 at June 30, 2005 and December 31, 2004, respectively	320,034	394,062
Warehouse receivable	173,784	138,233
Prepaid expenses	31,493	26,586
Deferred tax assets, net	30,737	23,122
Property held for sale	26,642	
Other current assets	19,834	15,583
	<u> </u>	<u> </u>
Total Current Assets	800,582	863,695
Property and equipment, net	133,729	137,703
Goodwill	822,577	821,508
Other intangible assets, net of accumulated amortization of \$98,232 and \$95,373 at June 30, 2005 and December 31, 2004, respectively	110,611	113,653
Deferred compensation assets	132,995	102,578
Investments in and advances to unconsolidated subsidiaries	103,874	83,501
Deferred tax assets, net	73,802	78,471
Other assets, net	63,396	70,527
	<u> </u>	<u> </u>
Total Assets	\$ 2,241,566	\$ 2,271,636
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 153,303	\$ 185,877
Compensation and employee benefits payable	176,608	150,721
Accrued bonus and profit sharing	155,137	271,020
Income taxes payable	15,206	
Short-term borrowings:		
Warehouse line of credit	173,784	138,233
Debt related to property held for sale	21,183	
Other	17,068	21,736
	<u> </u>	<u> </u>
Total short-term borrowings	212,035	159,969
Current maturities of long-term debt	11,927	11,954
Other current liabilities	23,621	29,547
	<u> </u>	<u> </u>
Total Current Liabilities	747,837	809,088
Long-Term Debt:		
11¼% senior subordinated notes, net of unamortized discount of \$1,803 and \$2,337 at June 30, 2005 and December 31, 2004, respectively	167,366	205,032
Senior secured term loan	259,350	265,250
9¾% senior notes	130,000	130,000

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Other long-term debt	2,578	602
	<u> </u>	<u> </u>
Total Long-Term Debt	559,294	600,884
Deferred compensation liability	165,566	160,281
Pension liability	26,017	27,871
Other liabilities	101,697	107,639
	<u> </u>	<u> </u>
Total Liabilities	1,600,411	1,705,763
Commitments and contingencies		
Minority interest	5,809	5,925
Stockholders' Equity:		
Class A common stock; \$0.01 par value; 325,000,000 shares authorized; 72,499,366 and 71,031,429 shares issued and outstanding at June 30, 2005 and December 31, 2004, respectively	725	710
Additional paid-in capital	526,793	513,801
Notes receivable from sale of stock	(171)	(433)
Accumulated earnings	131,167	66,174
Accumulated other comprehensive loss	(23,168)	(20,304)
	<u> </u>	<u> </u>
Total Stockholders' Equity	635,346	559,948
	<u> </u>	<u> </u>
Total Liabilities and Stockholders' Equity	\$ 2,241,566	\$ 2,271,636
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CB RICHARD ELLIS GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Dollars in thousands, except share data)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Revenue	\$ 672,163	\$ 550,916	\$ 1,210,429	\$ 991,908
Costs and expenses:				
Cost of services	338,691	272,611	606,737	496,833
Operating, administrative and other	241,730	230,539	464,951	429,790
Depreciation and amortization	10,818	10,830	21,188	27,661
Merger-related charges		11,574		21,534
Operating income	80,924	25,362	117,553	16,090
Equity income from unconsolidated subsidiaries	14,779	2,768	18,020	5,294
Interest income	3,058	1,564	5,503	2,837
Interest expense	13,374	18,780	26,972	38,425
Loss on extinguishment of debt	1,832	4,009	6,762	4,009
Income (loss) before provision (benefit) for income taxes	83,555	6,905	107,342	(18,213)
Provision (benefit) for income taxes	33,134	3,940	42,349	(4,610)
Net income (loss)	\$ 50,421	\$ 2,965	\$ 64,993	\$ (13,603)
Basic income (loss) per share	\$ 0.68	\$ 0.05	\$ 0.88	\$ (0.22)
Weighted average shares outstanding for basic income (loss) per share	73,785,232	63,990,494	73,659,733	63,256,275
Diluted income (loss) per share	\$ 0.66	\$ 0.04	\$ 0.85	\$ (0.22)
Weighted average shares outstanding for diluted income (loss) per share	76,365,899	69,375,929	76,275,811	63,256,275

The accompanying notes are an integral part of these consolidated financial statements.

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CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Six Months Ended	
	June 30,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 64,993	\$ (13,603)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,188	27,661
Amortization and write-off of deferred financing costs	3,387	3,533
Amortization and write-off of long-term debt discount	534	699
Deferred compensation deferrals	11,407	8,712
Gain on sale of servicing rights and other assets	(2,720)	(2,396)
Equity income from unconsolidated subsidiaries	(18,020)	(5,294)
Distributions of earnings from unconsolidated subsidiaries	8,974	4,355
Provision for doubtful accounts	2,498	2,759
Deferred income taxes	4,496	(3,651)
Decrease in receivables	60,656	16,165
Increase in deferred compensation assets	(30,417)	(2,705)
(Increase) decrease in prepaid expenses and other assets	(7,535)	10,060
Decrease in accounts payable and accrued expenses	(28,496)	(16,132)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(82,738)	(73,018)
Increase (decrease) in income tax payable	17,064	(5,769)
(Decrease) increase in other liabilities	(16,182)	8,900
Tenant concessions received	988	3,082
Other operating activities, net	1,124	1,392
Net cash provided by (used in) operating activities	11,201	(35,250)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(15,513)	(25,216)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired	(3,372)	(4,957)
Investment in property held for sale	(28,221)	
Contributions to unconsolidated subsidiaries, net of capital distributions	(12,189)	(6,836)
Proceeds from the sale of servicing rights and other assets	2,649	2,934
Decrease in restricted cash	3,382	3,592
Other investing activities, net	1,026	964
Net cash used in investing activities	(52,238)	(29,519)
CASH FLOWS FROM FINANCING ACTIVITIES:		