

CRA INTERNATIONAL, INC.  
Form 10-Q  
August 01, 2014

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**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 28, 2014

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**Commission file number: 000-24049**

**CRA International, Inc.**

(Exact name of registrant as specified in its charter)

**Massachusetts**  
(State or other jurisdiction of  
incorporation or organization)

**04-2372210**  
(I.R.S. Employer Identification No.)

**200 Clarendon Street, Boston, MA**  
(Address of principal executive offices)

**02116-5092**  
(Zip Code)

**(617) 425-3000**

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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

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 24, 2014
Common Stock, no par value per share	9,901,511 shares

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**CRA International, Inc.**

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****CRA International, Inc.****Condensed Consolidated Income Statements (unaudited)***(In thousands, except per share data)*

	Quarter Ended		Fiscal Year to Date	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Revenues	\$ 78,184	\$ 65,203	\$ 154,429	\$ 128,333
Costs of services	52,669	45,042	104,535	87,057
Gross profit	25,515	20,161	49,894	41,276
Selling, general and administrative expenses	17,463	15,380	34,623	31,180
Depreciation and amortization	1,559	1,611	3,149	3,152
Income from operations	6,493	3,170	12,122	6,944
Interest income	39	21	78	82
Interest expense	(127)	(175)	(291)	(242)
Other income (expense), net	(71)	352	(191)	(39)
Income before provision for income taxes	6,334	3,368	11,718	6,745
Provision for income taxes	(3,167)	(2,017)	(5,243)	(2,559)
Net income	3,167	1,351	6,475	4,186
Net loss attributable to noncontrolling interest, net of tax	21	58	123	192
Net income attributable to CRA International, Inc.	\$ 3,188	\$ 1,409	\$ 6,598	\$ 4,378
Net income per share attributable to CRA International, Inc:				
Basic	\$ 0.32	\$ 0.14	\$ 0.66	\$ 0.43
Diluted	\$ 0.32	\$ 0.14	\$ 0.66	\$ 0.43

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Weighted average number of shares outstanding:

Basic	9,919	10,100	9,974	10,085
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Diluted	10,026	10,188	10,067	10,174
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See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CRA International, Inc.****Condensed Consolidated Statements of Comprehensive Income (unaudited)***(In thousands)*

	Quarter Ended		Fiscal Year to Date Period Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net income	\$ 3,167	\$ 1,351	\$ 6,475	\$ 4,186
Other comprehensive income (loss):				
Foreign currency translation adjustments	706	128	869	(1,329)
Comprehensive income	3,873	1,479	7,344	2,857
Less: comprehensive loss attributable to noncontrolling interest	21	58	123	192
Comprehensive income attributable to CRA International, Inc.	\$ 3,894	\$ 1,537	\$ 7,467	\$ 3,049

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CRA International, Inc.****Condensed Consolidated Balance Sheets (unaudited)***(In thousands, except share data)*

	June 28, 2014	December 28, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 27,614	\$ 51,251
Accounts receivable, net of allowances of \$5,890 at June 28, 2014 and \$7,210 at December 28, 2013	65,183	57,856
Unbilled services	28,415	24,275
Prepaid expenses and other current assets	15,775	11,775
Deferred income taxes	17,579	17,806
Total current assets	154,566	162,963
Property and equipment, net	14,838	15,655
Goodwill	83,896	81,573
Intangible assets, net of accumulated amortization of \$9,229 at June 28, 2014 and \$8,392 at December 28, 2013	5,314	4,537
Deferred income taxes, net of current portion	187	955
Other assets	48,199	54,621
Total assets	\$ 307,000	\$ 320,304
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 12,691	\$ 13,766
Accrued expenses	49,923	65,657
Deferred revenue and other liabilities	5,187	6,098
Deferred income taxes	88	
Current portion of deferred rent	2,012	2,322
Current portion of deferred compensation	153	117
Total current liabilities	70,054	87,960
Notes payable	981	1,007
Deferred rent and facility-related non-current liabilities	2,552	3,669
Deferred compensation and other non-current liabilities	2,487	1,446
Deferred income taxes, net of current portion	1,798	1,585
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; none issued and outstanding		
Common stock, no par value; 25,000,000 shares authorized; 9,851,935 shares and 10,048,611 shares issued and outstanding at June 28, 2014 and December 28, 2013, respectively	90,389	93,242
Retained earnings	140,578	133,980
Accumulated other comprehensive loss	(2,555)	(3,424)

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Total CRA International, Inc. shareholders' equity	228,412	223,798
Noncontrolling interest	716	839
Total shareholders' equity	229,128	224,637
Total liabilities and shareholders' equity	\$ 307,000	\$ 320,304

See accompanying notes to the condensed consolidated financial statements.



Table of Contents**CRA International, Inc.****Condensed Consolidated Statements of Cash Flows (unaudited)***(In thousands)*

	Fiscal Year to Date Period Ended	
	June 28, 2014	June 29, 2013
<b>Operating activities:</b>		
Net income	\$ 6,475	\$ 4,186
Adjustments to reconcile net income to net cash used in operating activities, net of effect of acquired businesses:		
Depreciation and amortization	3,138	3,201
Loss on disposal of property and equipment	9	
Deferred rent	(1,455)	(1,193)
Deferred income taxes	871	309
Share-based compensation expenses	2,616	1,321
Excess tax benefits from share-based compensation		(5)
Accounts receivable allowances	(1,411)	(64)
Changes in operating assets and liabilities:		
Accounts receivable	(5,087)	17,474
Unbilled services	(3,534)	(8,160)
Prepaid expenses and other assets	1,722	(26,488)
Accounts payable, accrued expenses, and other liabilities	(18,514)	(16,307)
Net cash used in operating activities	(15,170)	(25,726)
<b>Investing activities:</b>		
Consideration paid for acquisitions, net	(1,537)	(15,591)
Purchase of property and equipment	(1,358)	(1,971)
Collections on notes receivable	14	14
Net cash used in investing activities	(2,881)	(17,548)
<b>Financing activities:</b>		
Issuance of common stock, principally stock option exercises		207
Payments on notes payable	(26)	
Borrowings under line of credit		17,320
Repayments under line of credit		(12,177)
Payments of debt issuance costs		(1,014)
Tax withholding payments reimbursed by restricted shares	(143)	(214)
Excess tax benefits from share-based compensation		5
Repurchase of common stock	(5,355)	
Net cash provided by (used in) financing activities	(5,524)	4,127
Effect of foreign exchange rates on cash and cash equivalents	(62)	29
Net decrease in cash and cash equivalents	(23,637)	(39,118)
Cash and cash equivalents at beginning of period	51,251	55,451

Cash and cash equivalents at end of period	\$	27,614	\$	16,333
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**Noncash investing and financing activities:**

Issuance of common stock for acquired business	\$	427	\$	
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**Supplemental cash flow information:**

Cash paid for income taxes	\$	8,600	\$	1,287
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Cash paid for interest	\$	189	\$	137
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See accompanying notes to the condensed consolidated financial statements.

Table of Contents**CRA International, Inc.****Condensed Consolidated Statement of Shareholders' Equity (unaudited)***(In thousands, except share data)*

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	CRA International, Inc.		Total Shareholders' Equity
	Shares Issued	Amount			Shareholders' Equity	Noncontrolling Interest	
<b>BALANCE AT DECEMBER 28, 2013</b>	10,048,611	\$ 93,242	\$ 133,980	\$ (3,424)	\$ 223,798	\$ 839	\$ 224,637
Net income			6,598		6,598	(123)	6,475
Foreign currency translation adjustment				869	869		869
Issuance of common stock in connection with business acquisition	22,520	427			427		427
Share-based compensation expense for employees		2,522			2,522		2,522
Restricted share vesting	39,777						
Redemption of vested employee restricted shares for tax withholding	(6,373)	(143)			(143)		(143)
Tax deficit on stock options and restricted shares vesting		(227)			(227)		(227)
Shares repurchased	(252,600)	(5,526)			(5,526)		(5,526)
Share-based compensation expense for non-employees		94			94		94
<b>BALANCE AT JUNE 28, 2014</b>	9,851,935	\$ 90,389	\$ 140,578	\$ (2,555)	\$ 228,412	\$ 716	\$ 229,128

See accompanying notes to the condensed consolidated financial statements.

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**CRA International, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**1. Description of Business**

CRA International, Inc. ("CRA") is a worldwide leading consulting services firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. CRA offers its services in two broad areas: litigation, regulatory and financial consulting and management consulting. CRA operates in one business segment, which is consulting services. CRA operates its business under its registered trade name, Charles River Associates.

**2. Unaudited Interim Condensed Consolidated Financial Statements and Estimates**

The following financial statements included in this report are unaudited: the condensed consolidated income statements for the fiscal quarters and year to date periods ended June 28, 2014 and June 29, 2013, the condensed consolidated statements of comprehensive income for the fiscal quarters and year to date periods ended June 28, 2014 and June 29, 2013, the condensed consolidated balance sheet as of June 28, 2014, the condensed consolidated statements of cash flows for the fiscal year to date periods ended June 28, 2014 and June 29, 2013, and the condensed consolidated statement of shareholders' equity for the fiscal year to date period ended June 28, 2014. In the opinion of management, these statements include all adjustments necessary for a fair presentation of CRA's consolidated financial position, results of operations, and cash flows. The condensed consolidated balance sheet as of December 28, 2013 included in this report was derived from audited consolidated financial statements included in CRA's Annual Report on Form 10-K that was filed on March 13, 2014.

The preparation of financial statements in conformity with generally accepted accounting principles in the U.S. ("U.S. GAAP") requires management to make significant estimates and judgments that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates in these consolidated financial statements include, but are not limited to, accounts receivable allowances, revenue recognition on fixed price contracts, depreciation of property and equipment, share-based compensation, valuation of acquired intangible assets, impairment of long lived assets, goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, accrued compensation, accrued exit costs, and other accrued expenses. These items are monitored and analyzed by CRA for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. CRA bases its estimates on historical experience and various other assumptions that CRA believes to be reasonable under the circumstances. Actual results may differ from those estimates if CRA's assumptions based on past experience or other assumptions do not turn out to be substantially accurate.

The condensed consolidated statement of cash flows for the fiscal year to date period ended June 29, 2013 has been adjusted to properly present payments of debt issuance costs, which were previously presented in cash used in operating activities and have been reclassified to cash used in financing activities. This revision is not material to CRA's consolidated financial statements taken as a whole.

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**CRA International, Inc.**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(Unaudited)**

**3. Principles of Consolidation**

The condensed consolidated financial statements include the accounts of CRA and its wholly owned subsidiaries. In addition, the condensed consolidated financial statements include CRA's interest in NeuCo, Inc.