

CRA INTERNATIONAL, INC.
Form 10-Q
October 31, 2017

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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 September 30, 2017

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
(Do not check if a smaller reporting company) Smaller reporting company
Emerging growth 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 October 25, 2017
Common Stock, no par value per share	8,109,135 shares

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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 Period Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Revenues	\$ 91,325	\$ 81,691	\$ 273,059	\$ 245,210
Costs of services (exclusive of depreciation and amortization)	62,422	57,832	190,223	171,297
Selling, general and administrative expenses	20,803	16,671	59,778	52,748
Depreciation and amortization	2,453	1,891	6,652	5,861
Income from operations	5,647	5,297	16,406	15,304
GNU gain on sale of business assets			250	3,836
Interest expense, net	(116)	(129)	(361)	(356)
Other income (expense), net	4	(108)	(233)	(270)
Income before provision for income taxes	5,535	5,060	16,062	18,514
Provision for income taxes	(2,310)	(1,909)	(6,100)	(6,357)
Net income	3,225	3,151	9,962	12,157
Net (income) loss attributable to noncontrolling interest, net of tax	(11)	42	(82)	(1,327)
Net income attributable to CRA International, Inc.	\$ 3,214	\$ 3,193	\$ 9,880	\$ 10,830
Net income per share attributable to CRA International, Inc:				
Basic	\$ 0.39	\$ 0.39	\$ 1.18	\$ 1.25
Diluted	\$ 0.38	\$ 0.38	\$ 1.15	\$ 1.24
Weighted average number of shares outstanding:				
Basic	8,149	8,177	8,332	8,581
Diluted	8,353	8,309	8,530	8,653

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	
	September 30, 2017	October 1, 2016	September 30 2017	October 1, 2016
Net income	\$ 3,225	\$ 3,151	\$ 9,962	\$ 12,157
Other comprehensive (loss) income:				
Foreign currency translation adjustments	1,274	(608)	3,611	(2,523)
Comprehensive income	4,499	2,543	13,573	9,634
Less: comprehensive (income) loss attributable to noncontrolling interest	(11)	42	(82)	(1,327)
Comprehensive income attributable to CRA International, Inc.	\$ 4,488	\$ 2,585	\$ 13,491	\$ 8,307

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)*

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,899	\$ 53,530
Accounts receivable, net of allowances of \$7,486 at September 30, 2017 and \$4,253 at December 31, 2016	76,819	66,852
Unbilled services, net of allowances of \$2,531 at September 30, 2017 and \$1,720 at December 31, 2016	41,536	24,937
Prepaid expenses and other current assets	12,211	19,295
Forgivable loans	6,474	5,897
Total current assets	157,939	170,511
Property and equipment, net	41,062	36,381
Goodwill	88,529	74,764
Intangible assets, net	9,867	2,685
Deferred income taxes	10,105	10,049
Forgivable loans, net of current portion	25,388	28,065
Other assets	1,530	1,187
Total assets	\$ 334,420	\$ 323,642
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 17,162	\$ 13,729
Accrued expenses	74,285	75,281
Deferred revenue and other liabilities	3,980	3,021
Current portion of deferred rent	1,110	1,499
Current portion of deferred compensation	851	570
Total current liabilities	97,388	94,100
Non-current liabilities:		
Deferred rent and facility-related non-current liabilities	18,790	15,191
Deferred compensation and other non-current liabilities	9,710	6,346
Deferred income taxes	355	122
Total non-current liabilities	28,855	21,659
Commitments and contingencies (Note 16)		
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; 8,055,783 shares and 8,333,990 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	44,520	54,124
Retained earnings	173,119	166,914
Accumulated other comprehensive loss	(10,207)	(13,818)
Total CRA International, Inc. shareholders' equity	207,432	207,220
Noncontrolling interest	745	663

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Total shareholders' equity	208,177	207,883
Total liabilities and shareholders' equity	\$ 334,420	\$ 323,642

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	
	September 30, 2017	October 1, 2016
Operating activities:		
Net income	\$ 9,962	\$ 12,157
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,636	5,848
Loss on disposal of property and equipment	10	3
Impairment of intangible assets	523	
GNU gain on sale of business assets	(250)	(3,836)
Deferred rent	1,316	3,250
Deferred income taxes	230	886
Share-based compensation expenses	4,633	4,791
Excess tax benefits from share-based compensation		(55)
Accounts receivable allowances	3,166	(247)
Changes in operating assets and liabilities:		
Accounts receivable	(11,600)	(3,627)
Unbilled services	(15,533)	(11,874)
Prepaid expenses and other current assets, and other assets	6,505	1,588
Forgivable loans	2,418	7,743
Incentive cash awards	956	
Accounts payable, accrued expenses, and other liabilities	(1,181)	(414)
Net cash provided by operating activities	7,791	16,213
Investing activities:		
Cash consideration paid for acquisitions	(16,163)	
Purchases of property and equipment	(5,366)	(11,808)
GNU cash proceeds from sale of business assets	250	1,100
Net cash used in investing activities	(21,279)	(10,708)
Financing activities:		
Issuance of common stock, principally stock option exercises	2,950	1,448
Payments on notes payable		(75)
Borrowings under line of credit	11,500	7,500
Repayments under line of credit	(11,500)	(7,500)
Tax withholding payments reimbursed by restricted shares	(703)	(490)
Excess tax benefits from share-based compensation		55
Cash paid on dividend equivalents	(25)	
Cash dividends paid to stockholders	(3,529)	
Repurchases of common stock	(19,528)	(19,318)
Net cash used in financing activities	(20,835)	(18,380)
Effect of foreign exchange rates on cash and cash equivalents	1,692	(80)
Net decrease in cash and cash equivalents	(32,631)	(12,955)
Cash and cash equivalents at beginning of period	53,530	38,139
Cash and cash equivalents at end of period	\$ 20,899	\$ 25,184
Noncash investing and financing activities:		
Issuance of common stock for acquired business	\$ 3,044	\$ 44

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Purchases of property and equipment not yet paid for	\$	2,568	\$	1,234
Purchases of property and equipment paid by a third party	\$	1,640	\$	
Asset retirement obligations	\$		\$	1,479
Supplemental cash flow information:				
Cash paid for income taxes	\$	7,297	\$	3,959
Cash paid for interest	\$	248	\$	327

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		Accumulated Other Comprehensive Income		CRA International, Inc.		Noncontrolling Interest	Total Shareholders' Equity
	Shares Issued	Amount	Retained Earnings	Loss	Shareholders' Equity	Shareholders' Equity		
BALANCE AT DECEMBER 31, 2016	8,333,990	\$ 54,124	\$ 166,914	\$ (13,818)	\$ 207,220	\$ 663	\$ 207,883	
Net income			9,880		9,880	82	9,962	
Foreign currency translation adjustment				3,611	3,611		3,611	
Issuance of common stock for acquired businesses	89,312	3,044			3,044		3,044	
Exercise of stock options	133,955	2,950			2,950		2,950	
Share-based compensation expense for employees		4,540			4,540		4,540	
Restricted share and unit vestings	72,753							
Redemption of vested employee restricted shares for tax withholding								