

Edgar Filing: BEARINGPOINT INC - Form 8-K

BEARINGPOINT INC
Form 8-K
April 30, 2003

=====

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 30, 2003

BearingPoint, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-31451	22-3680505
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1676 International Drive
McLean, VA 22102
(Address of principal executive offices)

(703) 747-3000
(Registrant's telephone number, including area code)

=====

Item 5. Other Events

On April 30, 2003, BearingPoint, Inc. (the "Company" or "BearingPoint") announced its financial results for the third quarter of fiscal 2003.

The Company reported gross revenue of \$821.3 million for the third quarter of fiscal year 2003, up 41.0% over the third quarter of the prior year. Similarly, net revenue increased 43.1% from a year ago to \$628.3 million. The growth in revenue occurred in both the core (pre-acquisition) business and as a result of acquisitions and other transactions. The North American portion of the Company's core (pre-acquisition) business grew 6.0% year over year and 4.7% over the previous quarter.

Net income for the Company's third quarter of fiscal year 2003 was \$12.4 million or \$0.06 per share. The results include the impact of an \$11.9 million charge (net of tax) that pertained to a previously announced workforce reduction program. Excluding the impact of this charge, operating earnings were \$24.3 million or \$0.13 per share. The Company reported net income of \$23.7 million or \$0.15 per share in the third quarter of fiscal year 2002.

Edgar Filing: BEARINGPOINT INC - Form 8-K

Also during the Company's third quarter, BearingPoint strengthened its management by adding two executives to its leadership team: Robert Falcone as executive vice president and chief financial officer, and Christopher Formant as executive vice president for Financial Services, North America.

Highlights from the current quarter results include the following key performance items:

- . Net income of \$12.4 million, or \$0.06 per share in the third quarter of fiscal year 2003, was consistent with guidance set forth at the beginning of the quarter. These results compare to net income and earnings per share of \$16.4 million and \$0.09 for the three months ended December 31, 2002, and \$23.7 million and \$0.15 for the three months ended March 31, 2002. The Company's operating earnings and operating earnings per share in the third quarter were \$24.3 million and \$0.13, respectively, which excludes the impact of the previously announced reduction in workforce charge of \$11.9 million (net of tax).
- . Gross revenue in the third quarter of fiscal year 2003 was \$821.3 million, an increase of \$239.0 million, or 41.0%, from \$582.3 million in the third quarter of fiscal year 2002. This increase was predominantly due to the impact of the international acquisitions and other transactions and growth in the North American portion of the Company's core (pre-acquisition) business, which was up 6.0% year over year. Gross revenue also increased \$13.4 million from \$807.9 million in the previous quarter. Gross revenue increased 4.7% in North America over the previous quarter. Our core (pre-acquisition) business includes our operations in North America (including the personnel hired from Andersen Business Consulting in the United States) and our operations in the Asia Pacific and Latin America regions, Israel, and Ireland before the acquisitions and other transactions involving international Andersen Business Consulting units, and the German, Austrian and Swiss consulting practices formerly known as KPMG Consulting AG (KCA).
- . Gross revenue, based on management's estimates, in the third quarter of fiscal year 2003 for our core (pre-acquisition) business increased when compared to the previous quarter and the quarter ended March 31, 2002. The quarterly increase was primarily the result of increases in four of our five North America business units (Public Services, Consumer and Industrial Markets, Financial Services and High Technology) and our core Asia Pacific practice. Year over year growth was primarily attributable to three of our five North America business units (Public Services, Consumer and Industrial Markets and Financial Services) plus our Asia Pacific and Latin America core practices.
- . Our acquisitions and other transactions in the first half of fiscal year 2003 significantly expanded our international presence and diversified our revenue base. For the quarter ended March 31,

2003, North America generated 68.6% of consolidated gross revenue, while EMEA, Asia Pacific and Latin America contributed 19.2%, 10.2% and 2.0%, respectively. By comparison, for the third quarter of the prior fiscal year, North America contributed 91.4% of gross revenue, with EMEA, Asia Pacific and Latin America providing 1.0%, 5.9% and 1.7%, respectively.

The Company also continues to effectively manage its cost structure and focus on the following key performance indicators:

- . Other direct contract expenses, as a percentage of gross revenue, decreased to 23.5% compared to 24.6% in the third quarter of the prior

Edgar Filing: BEARINGPOINT INC - Form 8-K

year. The improvement as a percentage of gross revenue was primarily due to the Company's effort to limit the use of subcontractors and travel expenses.

- . Professional compensation costs increased as a percentage of gross revenue from 38.5% a year ago to 45.9% in this quarter. This increase was primarily because the additional operations that were added during that period of time through acquisitions and other transactions had a higher percentage of professional compensation cost to gross revenue than the existing operations had in the same quarter of the prior year.
- . Other costs of service, as a percentage of gross revenue, decreased to 8.1% compared to 8.8% in the third quarter of the prior year. This improvement was created by a decline in bad debt expense and decreased discretionary spending as a result of cost control initiatives.
- . Selling, general and administrative expenses, as a percentage of gross revenue, decreased to 18.8% compared to 19.6% in the third quarter of the prior year. This decrease is principally due to reduced infrastructure costs and the decline in spending on rebranding. Rebranding costs incurred in the quarter were \$4.7 million, down from \$15.0 million in the previous quarter.
- . For the nine months ended March 31, 2003, the Company reported gross revenue of \$2.4 billion, which represents an increase of \$592.4 million, or 33.2%, over the nine months ended March 31, 2002. Net revenue increased 37.3% for the same period in the prior year. The growth in revenue is predominantly the result of growth in our core (pre-acquisition) business and acquisitions and other transactions completed in the first half of fiscal year 2003.
- . Net income for the nine months ended March 31, 2003 was \$44.0 million or \$0.24 per share compared to a net loss of \$27.3 million or \$0.17 per share, for the same period in the prior year. Included in the prior year's results was an \$80.0 million or \$0.50 per share, transitional impairment charge related to the cumulative effect of a change in accounting principle. Net income before cumulative effect of change in accounting principle for the nine months ended March 31, 2002 was \$52.7 million or \$0.33 per share.

SELECTED FINANCIAL DATA

US dollars in thousands, except per share data	Three Months Ended March 31,	
	2003	2002
Revenue	\$ 821,325	\$ 582,305
Expenses	797,035	532,831
Net Income - GAAP Basis	12,388	23,748
Operating Earnings (a)	24,253	23,748
Net Income Applicable to		

Edgar Filing: BEARINGPOINT INC - Form 8-K

Common Shares	12,388	23,748
Common Shares Outstanding:		
Average - Diluted	190,855,015	159,620,010
Period End	191,701,143	158,009,240
Earnings per Share:		
GAAP Basis - Basic and Diluted	\$ 0.06	\$ 0.15
Operating Basis - Basic and Diluted (a)	\$ 0.13	\$ 0.15
Utilization Rate (Total NA)	69%	70%
Gross Billing Rate (Total NA)	\$ 222	\$ 229
Average Billable Headcount (Global)	13,915	7,875
Total Headcount (Period End)	15,847	9,176
Reconciliation of Net Income to Operating Earnings (a)		
Net Income - GAAP Basis	\$ 12,388	\$ 23,748
Add Back (net of tax):		
Workforce Reduction Program	11,865	-
Software License Impairment Charge	-	-
Change in Accounting Principle	-	-
Operating Earnings (a)	\$ 24,253	\$ 23,748

(a) Operating earnings and operating earnings per share are non-GAAP financial measures. The company believes that adjusting net income to reflect either non-recurring items (e.g., software license impairment charge) or items that do not contribute to the operating earnings of the company (i.e., workforce reduction program) provides useful information to investors regarding the company's results of operations.

STATEMENTS OF INCOME - QUARTERLY

US dollars in thousands, except per share data	Three Months Ended March 31, 2003	% of Gross Revenue	Three M
Revenue	\$ 821,325	100.0%	\$
Other Direct Contract Expenses	(193,053)	(23.5)	
Net Revenue	628,272	76.5	
Costs of Service			
Professional Compensation	376,979	45.9	
Other Costs of Service	66,870	8.1	
Total Costs of Service	443,849	54.0	

Edgar Filing: BEARINGPOINT INC - Form 8-K

Gross Margin	184,423	22.5	
Selling, General & Administrative	154,188	18.8	
Operating Income	30,235	3.7	
Interest Income / (Expense), Net	(4,513)	(0.5)	
Other	(1,432)	(0.2)	
Income before Taxes	24,290	3.0	
Income Tax Expense	11,902	1.4	
Net Income - GAAP Basis	12,388	1.5	
Workforce Reduction Program (net of tax)	11,865	1.4	
Operating Earnings (a)	\$ 24,253	3.0%	\$
Performance Metrics			
Net Income Applicable to Common Basic and Diluted Net Income per Share - GAAP Basis	\$ 12,388		\$
Basic and Diluted Operating Earnings per Share (a)	\$ 0.06		\$
Utilization Rate (Total NA)	69%		\$
Efficiency Rate (Total NA)	75%		
Days Sales Outstanding (DSO)	69		

(a) Operating earnings and operating earnings per share are non-GAAP financial measures. The company believes that adjusting net income to reflect either non-recurring items (e.g., software license impairment charge) or items that do not contribute to the operating earnings of the company (i.e., workforce reduction program) provides useful information to investors regarding the company's results of operations.

STATEMENTS OF INCOME - YTD

US dollars in thousands, except per share data	Nine Months Ended March 31, 2003	% of Gross Revenue	Nine Months Ended March 31, 2002
Revenue	\$2,376,796	100.0%	\$1,784,414
Other Direct Contract Expenses	(535,486)	(22.5)	(442,990)
Net Revenue	1,841,310	77.5	1,341,424
Costs of Service			
Professional Compensation	1,078,555	45.4	717,038
Other Costs of Service	205,657	8.7	163,970
Total Costs of Service	1,284,212	54.0	881,008
Gross Margin	557,098	23.4	460,416

Edgar Filing: BEARINGPOINT INC - Form 8-K

Selling, General & Administrative	459,213	19.3	348,170
	-----	-----	-----
Operating Income	97,885	4.1	112,246
Interest Income/(Expense), Net	(8,364)	(0.4)	451
Other	(1,453)	(0.1)	(903)
	-----	-----	-----
Income before Taxes	88,068	3.7	111,794
Income Tax Expense	44,110	1.9	59,136
	-----	-----	-----
Income Before Cumulative Effect of Change in Accounting Principle	43,958	1.8	52,658
Cumulative Effect of Change in Accounting Principle	-	-	79,960
	-----	-----	-----
Net Income - GAAP Basis	43,958	1.8	(27,302)
Add Back:			
Workforce Reduction Program (net of tax)	11,865	0.5	11,283
Software License Impairment Charge (net of tax)	-	-	1,500
Cumulative Effect of Accounting Change (net of tax)	-	-	79,960
	-----	-----	-----
Operating Earnings (a)	\$ 55,823	2.3%	\$ 65,441
	=====	=====	=====
Performance Metrics			
Net Income Applicable to Common Basic and Diluted Net Income per Share - GAAP Basis	\$ 43,958		\$ (27,188)
Basic and Diluted Income Before Cumulative Effect of Change in Accounting Principle	\$ 0.24		\$ (0.17)
Basic and Diluted Operating Earnings per Share (a)	\$ 0.24		\$ 0.33
Utilization Rate (Total NA)	65%		66%
Efficiency Rate (Total NA)	74%		75%
Days Sales Outstanding (DSO)	69		58

(a) Operating earnings and operating earnings per share are non-GAAP financial measures. The company believes that adjusting net income to reflect either non-recurring items (e.g., software license impairment charge) or items that do not contribute to the operating earnings of the company (i.e., workforce reduction program) provides useful information to investors regarding the company's results of operations.

BALANCE SHEET

	March 31, 2003	June 30, 2002
	-----	-----
US dollars in thousands		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 44,360	\$ 203,597
Accounts Receivable, Net	349,383	246,792

Edgar Filing: BEARINGPOINT INC - Form 8-K

Unbilled Revenues, Net	270,307	128,883
Other Current Assets	110,597	67,941
	-----	-----
 Total Current Assets	 774,647	 647,213
Property and Equipment, Net	106,039	60,487
Goodwill and Other Intangible Assets, Net	1,104,481	163,315
Other Assets	22,398	24,116
	-----	-----
 Total Assets	 \$ 2,007,565	 \$ 895,131
	=====	=====
LIABILITIES AND EQUITY		
Current Liabilities:		
Current Portion of Notes Payable	\$ 26,059	\$ 1,846
Acquisition Obligation	22,497	16,653
Accounts Payable and Other Current Liabilities	463,968	264,796
	-----	-----
 Total Current Liabilities	 512,524	 283,295
Long Term Portion of Notes Payable	297,685	-
Other Long Term Liabilities	62,968	9,966
	-----	-----
 Total Liabilities	 873,177	 293,261
 Total Equity	 1,134,388	 601,870
	-----	-----
 Total Liabilities and Equity	 \$ 2,007,565	 \$ 895,131
	=====	=====

Item 7. Financial Statements and Exhibits

(c) Exhibits

- Exhibit 99.1 Press Release of BearingPoint, Inc., dated April 30, 2003.
 Exhibit 99.2 Performance Report of BearingPoint, Inc., dated March 31, 2003.

Item 9. Regulation FD Disclosure

The following information is being furnished under Item 12 of Form 8-K.

On April 30, 2003, the Company issued a press release announcing its financial results for the third quarter of fiscal year 2003 (see Exhibit 99.1) and a Performance Report for the same fiscal period (see Exhibit 99.2).

Forward-Looking Statements

This Current Report on Form 8-K contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements relate to the Company's operations that are based on the Company's current expectations, estimates and projections. Words such as

Edgar Filing: BEARINGPOINT INC - Form 8-K

"may," "will," "could," "would," "should," "anticipate," "predict," "potential," "continue," "expects," "intends," "plans," "projects," "believes," "estimates," and similar expressions are used to identify these forward-looking statements. These statements are only predictions and as such are not guarantees of future performance because they involve risks, uncertainties, and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events or the Company's future financial performance that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements. As a result, these statements speak only as of the date they were made, and the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The Company's actual results may differ from the forward-looking statements for many reasons, including:

- the business decisions of the Company's clients regarding the use of the Company's services;
- the timing of projects and their termination;
- the availability of talented professionals to provide the Company's services;
- the pace of technological change;
- the strength of the Company's joint marketing relationships;
- the actions of the Company's competitors; and
- unexpected difficulties associated with the Company's recent acquisitions, group hires and other transactions involving BearingPoint GmbH and the former Andersen Business Consulting Practices.

In addition, the Company's results and forward-looking statements could be affected by general domestic and international economic and political conditions, including the current slowdown in the economy, uncertainty as to the future direction of the economy and vulnerability of the economy to domestic or international incidents, as well as market conditions in the Company's industry. For a more detailed discussion of certain of these factors, see "Factors Affecting Future Financial Results" that is

attached as Exhibit 99.1 to the Company's Form 10-Q for the quarter ended December 31, 2002, "Factors Affecting Future Financial Results" in the Company's most recent Form 10-K and similar sections in the Company's filings with the Securities and Exchange Commission, which describe risks and factors that could cause results to differ materially from those projected in such forward-looking statements. The Company cautions the reader that these risk factors may not be exhaustive. The Company operates in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict such new risk factors, nor can it assess the impact, if any, of such new risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those implied by any forward-looking statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the

Edgar Filing: BEARINGPOINT INC - Form 8-K

registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 29, 2003

BearingPoint, Inc.

By:

/s/ Robert S. Falcone

Robert S. Falcone
Executive Vice President and Chief
Financial Officer

Exhibit Index

Exhibit 99.1 Press Release of BearingPoint, Inc., dated April 30, 2003.
Exhibit 99.2 Performance Report of BearingPoint, Inc., dated March 31, 2003.