

EXPONENT INC
Form 10-Q
August 05, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 3, 2009

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 0-18655

EXPONENT, INC.

(Exact name of registrant as specified in its charter)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

77-0218904
(I.R.S. Employer
Identification No.)

149 COMMONWEALTH DRIVE, MENLO PARK, CALIFORNIA
(Address of principal executive office)

94025
(Zip Code)

Registrant's telephone number, including area code (650) 326-9400

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act).

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2009, the latest practicable date, the registrant had 13,771,816 shares of Common Stock, \$0.001 par value per share, outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****EXPONENT, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****July 3, 2009 and January 2, 2009****(in thousands, except share data)****(unaudited)**

	July 3, 2009	January 2, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,109	\$ 32,598
Short-term investments	12,953	24,772
Accounts receivable, net of allowance for doubtful accounts of \$3,587 and \$2,449 at July 3, 2009 and January 2, 2009, respectively	73,405	62,208
Prepaid expenses and other assets	8,529	6,275
Deferred income taxes	4,845	4,455
Total current assets	138,841	130,308
Property, equipment and leasehold improvements, net	30,350	31,371
Goodwill	8,607	8,607
Deferred income taxes	8,055	6,893
Other assets	7,862	5,911
Total assets	\$ 193,715	\$ 183,090
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,369	\$ 6,536
Accrued payroll and employee benefits	30,000	35,528
Deferred revenues	7,213	6,171
Total current liabilities	42,582	48,235
Other liabilities	364	567
Deferred compensation	7,370	4,401
Deferred rent	1,515	1,793
Total liabilities	51,831	54,996
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 16,426,664 shares issued at July 3, 2009 and January 2, 2009	16	16
Additional paid-in capital	80,876	72,734
Accumulated other comprehensive loss	(387)	(345)

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Retained earnings	132,788	127,127
Treasury stock, at cost; 2,670,600 and 2,737,050 shares held at July 3, 2009 and January 2, 2009, respectively	(71,409)	(71,438)
Total stockholders' equity	141,884	128,094
Total liabilities and stockholders' equity	\$ 193,715	\$ 183,090

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**EXPONENT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****For the Three and Six Months Ended July 3, 2009 and June 27, 2008****(in thousands, except per share data)****(unaudited)**

	Three Months Ended		Six Months Ended	
	July 3, 2009	June 27, 2008	July 3, 2009	June 27, 2008
Revenues:				
Revenues before reimbursements	\$ 52,429	\$ 50,801	\$ 107,360	\$ 102,823
Reimbursements	8,433	4,155	13,298	8,393
Revenues	60,862	54,956	120,658	111,216
Operating expenses:				
Compensation and related expenses	34,954	33,197	72,800	66,707
Other operating expenses	5,309	5,588	10,586	11,016
Reimbursable expenses	8,433	4,155	13,298	8,393
General and administrative expenses	3,227	3,207	5,859	6,196
Total operating expenses	51,923	46,147	102,543	92,312
Operating income	8,939	8,809	18,115	18,904
Other income, net:				
Interest income, net	200	463	434	965
Miscellaneous income, net	898	355	1,056	290
Total other income, net	1,098	818	1,490	1,255
Income before income taxes	10,037	9,627	19,605	20,159
Income taxes	4,012	3,834	7,822	8,019
Net income	\$ 6,025	\$ 5,793	\$ 11,783	\$ 12,140
Net income per share:				
Basic	\$ 0.43	\$ 0.38	\$ 0.83	\$ 0.81
Diluted	\$ 0.40	\$ 0.36	\$ 0.79	\$ 0.76
Shares used in per share computations:				
Basic	14,167	15,086	14,129	14,966
Diluted	15,013	16,100	14,998	16,050

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**EXPONENT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the Three and Six Months Ended July 3, 2009 and June 27, 2008****(in thousands)****(unaudited)**

	Three Months Ended		Six Months Ended	
	July 3, 2009	June 27, 2008	July 3, 2009	June 27, 2008
Net income	\$ 6,025	\$ 5,793	\$ 11,783	\$ 12,140
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax	(36)	(24)	(158)	96
Unrealized gain (loss) on investments, net of tax	114	(117)	116	70
Comprehensive income	\$ 6,103	\$ 5,652	\$ 11,741	\$ 12,306

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**EXPONENT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Six Months Ended July 3, 2009 and June 27, 2008****(in thousands)****(unaudited)**

	Six Months Ended	
	July 3, 2009	June 27, 2008
Cash flows from operating activities:		
Net income	\$ 11,783	\$ 12,140
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and leasehold improvements	2,179	1,925
Amortization of premiums and accretion of discounts of short-term investments	115	233
Amortization of contribution to deferred compensation plan		181
Deferred rent	(278)	(195)
Allowance for doubtful accounts	2,230	1,147
Stock-based compensation	4,744	4,626
Deferred income tax provision	(1,991)	(1,801)
Tax benefit for stock plans	(1,859)	(4,288)
Changes in operating assets and liabilities:		
Accounts receivable	(13,427)	(6,666)
Prepaid expenses and other assets	(2,341)	(1,138)
Accounts payable and accrued liabilities	487	6,525
Accrued payroll and employee benefits	(3,540)	(1,714)
Deferred revenues	1,042	(524)
Net cash (used in) provided by operating activities	(856)	10,451
Cash flows from investing activities:		
Capital expenditures	(1,158)	(2,762)
Purchase of short-term investments		(72,477)
Sale/maturity of short-term investments	12,772	71,403
Net cash provided by (used in) investing activities	11,614	(3,836)
Cash flows from financing activities:		
Tax benefit for stock plans	1,859	4,288
Payroll taxes for restricted stock units	(1,687)	(1,578)
Purchases of treasury stock	(5,525)	(15,232)
Issuance of treasury stock	1,027	2,358
Net cash used in financing activities	(4,326)	(10,164)
Effect of foreign currency exchange rates on cash and cash equivalents	79	55

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Net increase (decrease) in cash and cash equivalents	6,511	(3,494)
Cash and cash equivalents at beginning of period	32,598	10,700
Cash and cash equivalents at end of period	\$ 39,109	\$ 7,206

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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EXPONENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended July 3, 2009 and June 27, 2008

Note 1: Basis of Presentation

Exponent, Inc. (referred to as the Company or Exponent) is an engineering and scientific consulting firm that provides solutions to complex problems. The Company operates on a 52-53 week fiscal year ending on the Friday closest to the last day of December.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not contain all the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments which are necessary for the fair presentation of the condensed consolidated financial statements have been included and all such adjustments are of a normal and recurring nature. The operating results for t