

Huron Consulting Group Inc.
Form 10-Q
October 31, 2007

**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 September 30, 2007

OR

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

Commission file number: 000-50976

Huron Consulting Group Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

01-0666114
(IRS Employer
Identification Number)

550 West Van Buren Street
Chicago, Illinois
60607
(Address of principal executive offices)
(Zip Code)

(312) 583-8700
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer

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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
o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of October 19, 2007, approximately 18,650,560 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

HURON CONSULTING GROUP INC.**INDEX**

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PART I ³/₄ FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HURON CONSULTING GROUP INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

| | September 30, 2007 | December 31, 2006 |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,742 | \$ 16,572 |
| Receivables from clients, net | 86,157 | 41,848 |
| Unbilled services, net | 41,116 | 22,627 |
| Income tax receivable | 4,097 | 3,637 |
| Deferred income taxes | 24,674 | 15,290 |
| Other current assets | 9,025 | 6,435 |
| Total current assets | 168,811 | 106,409 |
| Property and equipment, net | 33,764 | 27,742 |
| Deferred income taxes | 3,786 | 5,433 |
| Deposits and other assets | 7,503 | 2,294 |
| Intangible assets, net | 16,117 | 4,238 |
| Goodwill | 190,780 | 53,328 |
| Total assets | \$ 420,761 | \$ 199,444 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,937 | \$ 2,684 |
| Accrued expenses | 26,011 | 12,712 |
| Accrued payroll and related benefits | 52,661 | 41,649 |
| Income tax payable | 140 | ³ / ₄ |
| Deferred revenues | 4,466 | 4,035 |
| Bank borrowings | ³ / ₄ | 8,000 |
| Current portion of notes payable and capital lease obligations | 1,143 | 1,282 |
| Total current liabilities | 88,358 | 70,362 |
| Non-current liabilities: | | |
| Deferred compensation and other liabilities | 3,145 | 1,169 |
| Notes payable and capital lease obligations, net of current portion | ³ / ₄ | 1,000 |
| Bank borrowings | 154,500 | ³ / ₄ |
| Deferred lease incentives | 9,934 | 10,333 |
| Total non-current liabilities | 167,579 | 12,502 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock; \$0.01 par value; 500,000,000 shares authorized; 19,216,491 and 18,470,623 shares issued at September 30, 2007 and December 31, 2006, respectively | 182 | 178 |
| Treasury stock, at cost, 522,688 and 398,783 shares at September 30, 2007 and December 31, 2006, respectively | (16,094) | (9,396) |
| Additional paid-in capital | 104,112 | 79,598 |

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| | | |
|--|------------|-----------------------------|
| Retained earnings | 76,599 | 46,200 |
| Accumulated other comprehensive income | 25 | ³ / ₄ |
| Total stockholders' equity | 164,824 | 116,580 |
| Total liabilities and stockholders' equity | \$ 420,761 | \$ 199,444 |

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

- 1 -

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

| | Three months ended | | Nine months ended | |
|--|--------------------|-----------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenues and reimbursable expenses: | | | | |
| Revenues | \$ 134,051 | \$ 75,194 | \$ 368,326 | \$ 205,150 |
| Reimbursable expenses | 11,286 | 7,921 | 32,231 | 20,051 |
| Total revenues and reimbursable expenses | 145,337 | 83,115 | 400,557 | 225,201 |
| Direct costs and reimbursable expenses (exclusive of depreciation and amortization shown in operating expenses): | | | | |
| Direct costs | 80,237 | 42,973 | 213,648 | 116,399 |
| Intangible assets amortization | 2,208 | 467 | 6,752 | 2,183 |
| Reimbursable expenses | 11,108 | 7,907 | 32,039 | 20,240 |
| Total direct costs and reimbursable expenses | 93,553 | 51,347 | 252,439 | 138,822 |
| Operating expenses: | | | | |
| Selling, general and administrative | 25,675 | 16,724 | 75,108 | 47,278 |
| Depreciation and amortization | 4,283 | 2,921 | 12,502 | 5,998 |
| Total operating expenses | 29,958 | 19,645 | 87,610 | 53,276 |
| Operating income | 21,826 | 12,123 | 60,508 | 33,103 |
| Other income (expense): | | | | |
| Interest income (expense), net | (2,621) | (404) | (5,871) | (365) |
| Other income | 11 | ¾ | 136 | ¾ |
| Total other expense | (2,610) | (404) | (5,735) | (365) |
| Income before provision for income taxes | 19,216 | 11,719 | 54,773 | 32,738 |
| Provision for income taxes | 8,729 | 4,934 | 24,374 | 14,077 |
| Net income | \$ 10,487 | \$ 6,785 | \$ 30,399 | \$ 18,661 |
| Earnings per share: | | | | |
| Basic | \$ 0.61 | \$ 0.41 | \$ 1.80 | \$ 1.15 |
| Diluted | \$ 0.58 | \$ 0.39 | \$ 1.69 | \$ 1.08 |
| Weighted average shares used in calculating earnings per share: | | | | |
| Basic | 17,033 | 16,424 | 16,868 | 16,272 |
| Diluted | 18,137 | 17,415 | 17,967 | 17,220 |

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

HURON CONSULTING GROUP INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

| | Common Stock Shares | Common Stock Amount | Treasury Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Compre-hensive Income | Stockholders' Equity |
|--|------------------------|------------------------|-------------------|----------------------------------|----------------------|--|-------------------------|
| Balance at December 31, 2006 | 17,828,323 | \$ 178 | \$ (9,396) | \$ 79,598 | \$ 46,200 | \$ 34 | \$ 161,580 |
| Comprehensive income: | | | | | | | |
| Net income | 3/4 | 3/4 | 3/4 | 3/4 | 30,399 | 3/4 | 30,399 |
| Foreign currency translation adjustment | 3/4 | 3/4 | 3/4 | 3/4 | 3/4 | 25 | 25 |
| Total comprehensive income | | | | | | | 30,424 |
| Issuance of common stock in connection with: | | | | | | | |
| Restricted stock awards, net of cancellations | 182,590 | 2 | (1,077) | 1,075 | 3/4 | 3/4 | 3/4 |
| Exercise of stock options | 169,853 | 2 | 3/4 | 429 | 3/4 | 3/4 | 431 |
| Share-based compensation | 3/4 | 3/4 | 3/4 | 14,238 | 3/4 | 3/4 | 14,238 |
| Shares redeemed for employee tax withholdings | | | | | | | |
| | 3/4 | 3/4 | (5,621) | | 3/4 | 3/4 | (5,621) |
| Income tax benefit on share-based compensation | 3/4 | 3/4 | 3/4 | 8,772 | 3/4 | 3/4 | 8,772 |
| Balance at September 30, 2007 | 18,180,766 | \$ 182 | \$ (16,094) | \$ 104,112 | \$ 46,200 | \$ 34 | \$ 161,580 |