

TRAMMELL CROW CO  
Form 10-Q  
November 14, 2003

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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, 2003

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 1-13531

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**Trammell Crow Company**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**75-2721454**

(I.R.S. Employer Identification No.)

**2001 Ross Avenue**

**Suite 3400**

**Dallas, Texas**

(Address of principal executive offices)

**75201**

(Zip Code)

**(214) 863-3000**

(Registrant's telephone number, including area code)

**Not applicable**

(Former name, former address and former  
fiscal year, if changed since last report)

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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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 36,817,533 shares of the registrant's common stock outstanding as of November 7, 2003.

**TRAMMELL CROW COMPANY AND SUBSIDIARIES  
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**PART I FINANCIAL INFORMATION**

**ITEM 1. *Financial Statements***

**TRAMMELL CROW COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except share and per share data)**

September 30,  
2003

December 31,  
2002

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(Unaudited)

<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$	66,912	\$ 78,005
Restricted cash		7,971	8,921
Accounts receivable, net of allowance for doubtful accounts of \$3,254 in 2003 and \$4,663 in 2002		85,682	116,316
Receivables from affiliates		16,354	3,838
Notes and other receivables		11,269	14,806
Income taxes recoverable		1,143	
Deferred income taxes		3,097	3,654
Real estate under development		16,610	2,299
Real estate and other assets held for sale		37,395	55,682
Other current assets		17,856	8,498
		<u>264,289</u>	<u>292,019</u>
Total current assets		264,289	292,019
Furniture and equipment, net		18,858	23,172
Deferred income taxes		20,524	20,904
Real estate under development		39,811	50,466
Real estate held for investment		92,210	66,892
Investments in unconsolidated subsidiaries		64,113	71,463
Goodwill, net		74,340	74,178
Other assets		19,964	22,972
		<u>594,109</u>	<u>622,066</u>
	\$	594,109	\$ 622,066

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Current liabilities</b>			
Accounts payable	\$	17,260	\$ 20,175
Accrued expenses		91,567	105,095
Payables to affiliates		19	
Income taxes payable			3,121
Current portion of long-term debt		1,081	70
Current portion of capital lease obligations		1,554	2,989
Current portion of notes payable on real estate		68,203	28,854
Liabilities related to real estate and other assets held for sale		26,509	40,267
Other current liabilities		8,935	8,124
		<u>215,128</u>	<u>208,695</u>
Total current liabilities		215,128	208,695
Long-term debt, less current portion		10,016	19,000
Capital lease obligations, less current portion		191	658
Notes payable on real estate, less current portion		22,731	45,402
Other liabilities		5,908	86
		<u>253,974</u>	<u>273,841</u>
Total liabilities		253,974	273,841
Minority interest		29,897	39,871
<b>Stockholders' equity</b>			
Preferred stock; \$0.01 par value; 30,000,000 shares authorized; none issued or outstanding			
Common stock; \$0.01 par value; 100,000,000 shares authorized; 37,783,595 shares issued and 36,762,533 shares outstanding in 2003, and 36,227,820 shares issued and 36,179,173 shares outstanding in 2002		377	362
Paid-in capital		192,074	178,977
Retained earnings		136,432	130,874
Accumulated other comprehensive income (loss)		354	(589)

	September 30, 2003	December 31, 2002
Less: Treasury stock	(9,265)	(464)
Unearned stock compensation, net	(9,734)	(806)
Total stockholders' equity	310,238	308,354
	\$ 594,109	\$ 622,066

See accompanying notes.

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**TRAMMELL CROW COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except share and per share data)  
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
		(restated)		(restated)
<b>REVENUES</b>				
<i>Corporate Services:</i>				
Facilities management	\$ 50,155	\$ 58,057	\$ 155,071	\$ 174,154
Corporate advisory services	30,948	27,889	83,264	74,458
Project management services	16,111	14,266	46,442	43,262
	97,214	100,212	284,777	291,874
<i>Institutional Services:</i>				
Property management	36,120	35,808	109,558	112,258
Brokerage	20,609	23,297	61,707	69,441
Construction management	2,508	2,091	7,292	6,844
	59,237	61,196	178,557	188,543
Development and construction	10,234	10,258	27,765	36,609
	166,685	171,666	491,099	517,026
Gain on disposition of real estate	358	5,611	5,199	10,678
Other	229	212	1,064	853
	167,272	177,489	497,362	528,557
<b>COSTS AND EXPENSES</b>				
Salaries, wages and benefits	110,020	111,872	331,975	349,031
Commissions	23,826	22,320	63,975	60,559
General and administrative	26,525	31,245	85,023	94,937
Depreciation and amortization	3,934	4,414	13,387	13,636

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	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Interest	1,558	2,538	5,769	7,823
	165,863	172,389	500,129	525,986
Income (loss) from continuing operations before income taxes, minority interest and income from investments in unconsolidated subsidiaries	1,409	5,100	(2,767)	2,571
Income tax (expense) benefit	(624)	(2,309)	1,207	(1,198)
Minority interest, net of income tax (expense) benefit of \$(453), \$219, \$(1,484) and \$(720)	598	(308)	1,919	887
Income from investments in unconsolidated subsidiaries, net of income tax (expense) of \$(410), \$(398), \$(3,804) and \$(3,691)	567	386	4,916	4,585
Income from continuing operations	1,950	2,869	5,275	6,845
Income (loss) from discontinued operations, net of income tax (expense) benefit of \$135, \$(706), \$(561) and \$(677)	(167)	862	724	826
Net income	\$ 1,783	\$ 3,731	\$ 5,999	\$ 7,671
Income per share from continuing operations:				
Basic	\$ 0.05	\$ 0.08	\$ 0.15	\$ 0.20
Diluted	\$ 0.05	\$ 0.08	\$ 0.14	\$ 0.19
Income per share from discontinued operations, net of income taxes:				
Basic	\$	\$ 0.02	\$ 0.02	\$ 0.02
Diluted	\$	\$ 0.02	\$ 0.02	\$ 0.02
Net income per share:				
Basic	\$ 0.05	\$ 0.10	\$ 0.17	\$ 0.22
Diluted	\$ 0.05	\$ 0.10	\$ 0.16	\$ 0.21
Weighted average common shares outstanding:				
Basic	35,265,354	35,885,365	35,655,077	35,676,667
Diluted	36,681,330	36,812,311	36,668,488	36,841,749
	See accompanying notes.			

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	Common Shares		Common Stock Par Value	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unearned Stock Compensation	Total
	Issued	Treasury							
Balance at January 1, 2002	35,879,515	295,092	\$ 359	\$ 176,354	\$ 115,084	\$ (1,331)	\$ (2,951)	\$ (1,392)	286,123
Net income					16,653				16,653
Issuance of restricted stock	30,000			417				(417)	
Forfeiture of restricted stock		41,614		(96)			(398)	163	(331)
Amortization of unearned stock compensation								840	840
Issuance of common stock	318,305	(288,059)	3	2,302	(863)		2,885		4,327
Foreign currency translation adjustment, net of tax						1,208			1,208
Change in fair value of interest rate swap agreement, net of tax						(466)			(466)
<b>Balance at December 31, 2002</b>	<b>36,227,820</b>	<b>48,647</b>	<b>362</b>	<b>178,977</b>	<b>130,874</b>	<b>(589)</b>	<b>(464)</b>	<b>(806)</b>	<b>308,354</b>
Net income					5,999				5,999
Issuance of restricted stock	1,413,000	(162,000)	14	12,004			1,470	(13,488)	
Forfeiture of restricted stock		236,779		(23)			(1,986)	1,806	(203)
Amortization of unearned stock compensation								2,754	2,754
Issuance of common stock	142,775	(236,764)	1	1,116	(441)		2,150		2,826
Stock repurchase		1,134,400					(10,435)		(10,435)
Foreign currency translation adjustment, net of tax						606			606
Change in fair value of interest rate swap agreement, net of tax						337			337
<b>Balance at September 30, 2003</b>	<b>37,783,595</b>	<b>1,021,062</b>	<b>\$ 377</b>	<b>\$ 192,074</b>	<b>\$ 136,432</b>	<b>\$ 354</b>	<b>\$ (9,265)</b>	<b>\$ (9,734)</b>	<b>310,238</b>

See accompanying notes.

**TRAMMELL CROW COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

**For the Nine Months  
Ended September 30,**

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For the Nine Months  
Ended September 30,

	2003	2002
	(restated)	
<b>Operating activities</b>		
Cash flows from earnings:		
Net income	\$ 5,999	\$ 7,671
Reconciliation of net income to net cash provided by earnings:		
Depreciation and amortization	13,391	13,636
Amortization of employment contracts and unearned stock compensation	3,673	2,016
Amortization of contract intangibles	1,554	2,190
Bad debt expense	1,696	1,711
Writedowns due to impairment of intangibles		1,149
Provision for losses and writedowns for impairment on real estate	3,052	
Minority interest	(3,403)	(1,608)
Deferred income tax benefit	257	1,356
Change in fair value of interest rate swap agreement		371
Income from investments in unconsolidated subsidiaries	(8,720)	(8,276)
Net cash provided by earnings	17,499	20,216
Changes in operating assets and liabilities:		
Restricted cash	950	
Accounts receivable	29,077	50,722
Receivables from affiliates	(12,516)	(2,219)
Notes receivable and other assets	(5,274)	6,571
Real estate held for sale and under development	(17,152)	(9,588)
Notes payable on real estate held for sale and under development	12,769	11,095
Accounts payable and accrued expenses	(16,763)	(27,217)