

HEIDRICK & STRUGGLES INTERNATIONAL INC  
Form 10-Q  
August 01, 2011  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

**FORM 10-Q**

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

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011**

**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 0-25837**

**HEIDRICK & STRUGGLES INTERNATIONAL, INC.**

**(Exact Name of Registrant as Specified in its Charter)**

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**Delaware**  
(State or Other Jurisdiction of

**36-2681268**  
(I.R.S. Employer

Incorporation or Organization)

Identification Number)

**233 South Wacker Drive-Suite 4200**

**Chicago, Illinois**

**60606-6303**

(Address of Principal Executive Offices)

**(312) 496-1200**

(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 of time 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 small 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

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.

As of July 26, 2011, there were 17,839,077 shares of the Company's common stock outstanding.

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**Table of Contents**

**HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES**

**INDEX**

|   | <b>PAGE</b> |
|---|-------------|
| <b><u>PART I. FINANCIAL INFORMATION</u></b>   |             |
| Item 1.   |             |
| <u>Condensed Consolidated Financial Statements</u>  |             |
| <u>Condensed Consolidated Balance Sheets as of June 30, 2011 (Unaudited) and December 31, 2010</u>                              | 1           |
| <u>Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010</u>      | 2           |
| <u>Unaudited Consolidated Statement of Stockholders' Equity and Comprehensive Income for the six months ended June 30, 2011</u> | 3           |
| <u>Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010</u>                | 4           |
| <u>Unaudited Notes to Condensed Consolidated Financial Statements</u>   | 5           |
| Item 2.   | 13          |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                                    |             |
| Item 3.   | 21          |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u>   |             |
| Item 4.   | 22          |
| <u>Controls and Procedures</u>  |             |
| <b><u>PART II. OTHER INFORMATION</u></b>  |             |
| Item 1.   | 22          |
| <u>Legal Proceedings</u>  |             |
| Item 6.   | 23          |
| <u>Exhibits</u>   |             |
| <u>SIGNATURE</u>  | 24          |

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements  
HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

|   | June 30,<br>2011<br>(Unaudited) | December 31,<br>2010 |
|---|---------------------------------|----------------------|
| <b>Current assets:</b>  |                                 |                      |
| Cash and cash equivalents   | \$ 103,078                      | \$ 181,124           |
| Restricted cash   | 952                             | 393                  |
| Accounts receivable, less allowance for doubtful accounts of \$6,502 and \$6,589 at June 30, 2011 and December 31, 2010, respectively | 109,710                         | 83,360               |
| Other receivables   | 9,641                           | 7,724                |
| Prepaid expenses  | 19,485                          | 15,323               |
| Other current assets  | 1,520                           | 1,871                |
| Income taxes recoverable  | 14,062                          | 11,912               |
| Deferred income taxes   | 11,916                          | 10,759               |
| Total current assets  | 270,364                         | 312,466              |
| <b>Non-current assets:</b>  |                                 |                      |
| Property and equipment, net   | 42,338                          | 34,406               |
| Restricted cash   | 1,904                           | 1,609                |
| Assets designated for retirement and pension plans  | 25,649                          | 23,647               |
| Investments   | 10,189                          | 11,021               |
| Other non-current assets  | 9,486                           | 8,593                |
| Goodwill  | 115,979                         | 109,888              |
| Other intangible assets, net  | 6,065                           | 6,480                |
| Deferred income taxes   | 36,509                          | 36,917               |
| Total non-current assets  | 248,119                         | 232,561              |
| <b>Total assets</b>   | <b>\$ 518,483</b>               | <b>\$ 545,027</b>    |
| <b>Current liabilities:</b>   |                                 |                      |
| Accounts payable  | \$ 11,818                       | \$ 8,408             |
| Accrued salaries and employee benefits  | 87,421                          | 124,969              |
| Other current liabilities   | 41,013                          | 34,064               |
| Income taxes payable  | 2,015                           | 3,208                |
| Deferred income taxes   | 1,694                           | 1,807                |
| Total current liabilities   | 143,961                         | 172,456              |
| <b>Non-current liabilities:</b>   |                                 |                      |
| Retirement and pension plans  | 34,147                          | 30,907               |
| Other non-current liabilities   | 41,455                          | 47,015               |
| Deferred income taxes   | 109                             | 107                  |

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|   |                   |                   |
|---|-------------------|-------------------|
| Total non-current liabilities   | 75,711            | 78,029            |
| <b>Total liabilities</b>  | <b>219,672</b>    | <b>250,485</b>    |
| <b>Commitments and contingencies (Note 16)</b>  |                   |                   |
| <b>Stockholders' equity:</b>  |                   |                   |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized, no shares issued at June 30, 2011 and December 31, 2010, respectively   |                   |                   |
| Common stock, \$.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 17,839,077 and 17,558,098 shares outstanding at June 30, 2011 and December 31, 2010, respectively | 196               | 196               |
| Treasury stock at cost, 1,746,770 and 2,027,679 shares at June 30, 2011 and December 31, 2010, respectively   | (59,790)          | (69,549)          |
| Additional paid in capital  | 237,479           | 246,601           |
| Retained earnings   | 96,714            | 99,056            |
| Accumulated other comprehensive income  | 24,212            | 18,238            |
| <b>Total stockholders' equity</b>   | <b>298,811</b>    | <b>294,542</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 518,483</b> | <b>\$ 545,027</b> |

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

**Table of Contents****HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

|  | <b>Three Months Ended<br/>June 30,</b> |                 | <b>Six Months Ended<br/>June 30,</b> |                 |
|--|--|-----------------|--------------------------------------|-----------------|
|  | <b>2011</b>                            | <b>2010</b>     | <b>2011</b>                          | <b>2010</b>     |
| <b>Revenue:</b>                                    |  |                 |                                      |                 |
| Revenue before reimbursements (net revenue)        | \$ 142,799                             | \$ 126,071      | \$ 258,421                           | \$ 239,739      |
| Reimbursements                                     | 6,815                                  | 4,589           | 12,072                               | 9,275           |
| Total revenue                                      | 149,614                                | 130,660         | 270,493                              | 249,014         |
| <b>Operating expenses:</b>                         |  |                 |                                      |                 |
| Salaries and employee benefits                     | 99,219                                 | 85,995          | 187,600                              | 169,125         |
| General and administrative expenses                | 33,270                                 | 32,854          | 64,599                               | 62,950          |
| Other charges                                      |  |                 |                                      | 4,218           |
| Reimbursed expenses                                | 6,815                                  | 4,589           | 12,072                               | 9,275           |
| Restructuring charges                              |  | 701             |                                      | 701             |
| Other operating income                             |  | (1,072)         |                                      | (1,072)         |
| Total operating expenses                           | 139,304                                | 123,067         | 264,271                              | 245,197         |
| <b>Operating income</b>                            | <b>10,310</b>                          | <b>7,593</b>    | <b>6,222</b>                         | <b>3,817</b>    |
| <b>Non-operating income (expense):</b>             |  |                 |                                      |                 |
| Interest income, net                               | 258                                    | 188             | 553                                  | 416             |
| Other, net   | 441                                    | (2,448)         | (1,674)                              | (2,394)         |
| Net non-operating income (expense)                 | 699                                    | (2,260)         | (1,121)                              | (1,978)         |
| <b>Income before income taxes</b>                  | <b>11,009</b>                          | <b>5,333</b>    | <b>5,101</b>                         | <b>1,839</b>    |
| Provision for income taxes                         | 3,580                                  | 2,661           | 2,333                                | 713             |
| <b>Net income</b>                                  | <b>\$ 7,429</b>                        | <b>\$ 2,672</b> | <b>\$ 2,768</b>                      | <b>\$ 1,126</b> |
| Basic weighted average common shares outstanding   | 17,803                                 | 17,487          | 17,714                               | 17,337          |
| Diluted weighted average common shares outstanding | 17,955                                 | 17,859          | 17,995                               | 17,896          |
| Basic earnings per common share                    | \$ 0.42                                | \$ 0.15         | \$ 0.16                              | \$ 0.06         |
| Diluted earnings per common share                  | \$ 0.41                                | \$ 0.15         | \$ 0.15                              | \$ 0.06         |
| Cash dividends paid per share                      | \$ 0.13                                | \$ 0.13         | \$ 0.26                              | \$ 0.26         |

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

**Table of Contents**

**HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND**

**COMPREHENSIVE INCOME**

(In thousands)

(Unaudited)

|  | Common Stock |        | Treasury Stock |             | Additional<br>Paid in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Compre-<br>hensive<br>Income | Total      |
|--|--------------|--------|----------------|-------------|----------------------------------|----------------------|--|------------|
|  | Shares       | Amount | Shares         | Amount      |                                  |                      |  |            |
| <b>Balance at December 31, 2010</b>                  | 19,586       | \$ 196 | 2,027          | \$ (69,549) | \$ 246,601                       | \$ 99,056            | \$ 18,238  | \$ 294,542 |
| Net income   |              |        |                |             |                                  | 2,768                |  | 2,768      |
| Other comprehensive income:                          |              |        |                |             |                                  |                      |  |            |
| Unrealized gain on available for sale<br>investments |              |        |                |             |                                  |                      |  |            |