

HEIDRICK & STRUGGLES INTERNATIONAL INC

Form 10-Q

April 29, 2014

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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 MARCH 31, 2014

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 April 24, 2014, there were 18,202,856 shares of the Company's common stock outstanding.

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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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)

	March 31, 2014 (Unaudited)	December 31, 2013
Current assets:		
Cash and cash equivalents	\$ 101,405	\$ 181,646
Restricted cash	131	130
Accounts receivable, net	85,438	71,666
Other receivables	6,617	6,906
Prepaid expenses	16,446	14,786
Other current assets	1,813	1,807
Income taxes recoverable	6,544	5,772
Deferred income taxes	8,114	8,061
Total current assets	226,508	290,774
Non-current assets:		
Property and equipment, net	33,780	34,961
Restricted cash	8,014	7,878
Assets designated for retirement and pension plans	22,724	22,685
Investments	14,136	13,848
Other non-current assets	6,675	5,693
Goodwill	123,576	123,274
Other intangible assets, net	25,301	26,637
Deferred income taxes	27,093	27,474
Total non-current assets	261,299	262,450
Total assets	\$ 487,807	\$ 553,224
Current liabilities:		
Current portion of debt	\$ 6,000	\$ 6,000
Accounts payable	7,947	7,791
Accrued salaries and employee benefits	51,004	109,943
Deferred revenue, net	32,711	27,714
Other current liabilities	25,924	18,938
Income taxes payable	1,501	5,401
Total current liabilities	125,087	175,787
Non-current liabilities:		
Non-current debt, less current maturities	28,000	29,500
Retirement and pension plans	39,297	38,735
Other non-current liabilities	49,636	61,329

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Total non-current liabilities	116,933	129,564
Total liabilities	242,020	305,351
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued at March 31, 2014 and December 31, 2013		
Common stock, \$0.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 18,202,856 and 18,134,129 shares outstanding at March 31, 2014 and December 31, 2013, respectively	196	196
Treasury stock at cost, 1,382,921 and 1,451,648 shares at March 31, 2014 and December 31, 2013, respectively	(45,505)	(47,811)
Additional paid in capital	229,672	232,008
Retained earnings	45,358	48,511
Accumulated other comprehensive income	16,066	14,969
Total stockholders' equity	245,787	247,873
Total liabilities and stockholders' equity	\$ 487,807	\$ 553,224

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 COMPREHENSIVE INCOME / (LOSS)****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended March 31,	
	2014	2013
Revenue:		
Revenue before reimbursements (net revenue)	\$ 111,121	\$ 102,978
Reimbursements	4,411	4,330
Total revenue	115,532	107,308
Operating expenses:		
Salaries and employee benefits	75,915	71,479
General and administrative expenses	34,426	31,110
Reimbursed expenses	4,411	4,330
Total operating expenses	114,752	106,919
Operating income	780	389
Non-operating income (expense):		
Interest, net	30	77
Other, net	(298)	(381)
Net non-operating expense	(268)	(304)
Income before income taxes	512	85
Provision for income taxes	1,256	1,300
Net loss	(744)	(1,215)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	1,033	(490)
Unrealized gains on available-for-sale investments	68	451
Unrealized loss on cash flow hedge	(4)	(120)
Other comprehensive income (loss), net of tax	1,097	(159)
Comprehensive income (loss)	\$ 353	\$ (1,374)
Basic weighted average common shares outstanding	18,152	18,010
Diluted weighted average common shares outstanding	18,152	18,010
Basic loss per common share	\$ (0.04)	\$ (0.07)
Diluted loss per common share	\$ (0.04)	\$ (0.07)
Cash dividends paid per share	\$ 0.13	\$

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

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(In thousands)

(Unaudited)

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Compre- hensive Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2013	19,586	\$ 196	1,452	\$ (47,811)	\$ 232,008	\$ 48,511	\$ 14,969	\$ 247,873
Net loss						(744)		(744)
Other comprehensive income, net of tax							1,097	1,097
Treasury and common stock transactions:								
Stock-based compensation					336			336
Vesting of restricted stock units, net of tax withholdings			(69)	2,306	(2,667)			(361)
Cash dividends declared (\$0.13 per share)						(2,367)		(2,367)
Dividend equivalents on restricted stock units								