

HEIDRICK & STRUGGLES INTERNATIONAL INC

Form 10-Q

May 10, 2011

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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, 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, 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  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 May 9, 2011, there were 17,784,615 shares of the Company's common stock outstanding.

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

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HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

	March 31, 2011 (Unaudited)	December 31, 2010
<b>Current assets:</b>		
Cash and cash equivalents	\$ 92,170	\$ 181,124
Restricted cash	397	393
Accounts receivable, less allowance for doubtful accounts of \$6,128 and \$6,589 at March 31, 2011 and December 31, 2010, respectively	94,520	83,360
Other receivables	7,434	7,724
Prepaid expenses	18,429	15,323
Other current assets	1,572	1,871
Income taxes recoverable	15,932	11,912
Deferred income taxes	10,765	10,759
Total current assets	241,219	312,466
<b>Non-current assets:</b>		
Property and equipment, net	37,884	34,406
Restricted cash	2,545	1,609
Assets designated for retirement and pension plans	25,069	23,647
Investments	9,925	11,021
Other non-current assets	9,602	8,593
Goodwill	112,591	109,888
Other intangible assets, net	6,310	6,480
Deferred income taxes	35,954	36,917
Total non-current assets	239,880	232,561
<b>Total assets</b>	<b>\$ 481,099</b>	<b>\$ 545,027</b>
<b>Current liabilities:</b>		
Accounts payable	\$ 11,601	\$ 8,408
Accrued salaries and employee benefits	69,854	124,969
Other current liabilities	34,605	34,064
Income taxes payable	2,452	3,208
Deferred income taxes	1,807	1,807
Total current liabilities	120,319	172,456
<b>Non-current liabilities:</b>		
Retirement and pension plans	33,218	30,907
Other non-current liabilities	38,791	47,015
Deferred income taxes	99	107

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Total non-current liabilities	72,108	78,029
<b>Total liabilities</b>	192,427	250,485
<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 March 31, 2011 and December 31, 2010		
Common stock, \$.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 17,784,615 and 17,558,098 shares outstanding at March 31, 2011 and December 31, 2010, respectively	196	196
Treasury stock at cost, 1,801,162 and 2,027,679 shares at March 31, 2011 and December 31, 2010, respectively	(61,679)	(69,549)
Additional paid in capital	237,808	246,601
Retained earnings	91,662	99,056
Accumulated other comprehensive income	20,685	18,238
<b>Total stockholders' equity</b>	288,672	294,542
<b>Total liabilities and stockholders' equity</b>	\$ 481,099	\$ 545,027

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 March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenue:</b>		
Revenue before reimbursements (net revenue)	\$ 115,622	\$ 113,668
Reimbursements	5,257	4,686
Total revenue	120,879	118,354
<b>Operating expenses:</b>		
Salaries and employee benefits	88,381	83,130
General and administrative expenses	31,329	30,096
Other charges		4,218
Reimbursed expenses	5,257	4,686
Total operating expenses	124,967	122,130
<b>Operating loss</b>	<b>(4,088)</b>	<b>(3,776)</b>
<b>Non-operating income (expense):</b>		
Interest income, net	295	228
Other, net	(2,115)	54
Net non-operating income (expense)	(1,820)	282
<b>Loss before income taxes</b>	<b>(5,908)</b>	<b>(3,494)</b>
Benefit from income taxes	(1,247)	(1,948)
<b>Net loss</b>	<b>\$ (4,661)</b>	<b>\$ (1,546)</b>
Basic weighted average common shares outstanding	17,627	17,186
Diluted weighted average common shares outstanding	17,627	17,186
Basic loss per common share	\$ (0.26)	\$ (0.09)
Diluted loss per common share	\$ (0.26)	\$ (0.09)
Cash dividends paid per share	\$ 0.13	\$ 0.13

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 (LOSS)****(In thousands)****(Unaudited)**

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Compre- hensive 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 loss						(4,661)		(4,661)
Other comprehensive income (loss):								
Unrealized gain on available for sale investments							273	273
Foreign currency translation adjustment							2,174	2,174
Other comprehensive income (loss)						(4,661)	2,447	(2,214)
Treasury and common stock transactions:								
Stock-based compensation					1,738			1,738
Vesting of restricted stock units, net of tax withholdings			(226)	7,870	(10,226)			(2,356)
Cash dividends declared (\$0.13 per share)						(2,312)		(2,312)
Dividend equivalents on restricted stock units								