

HEIDRICK & STRUGGLES INTERNATIONAL INC

Form 10-Q

April 30, 2012

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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, 2012

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, 2012, there were 17,986,111 shares of the Company's common stock outstanding.

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

(In thousands, except share amounts)

| | March 31, 2012 (Unaudited) | December 31, 2011 |
|--|----------------------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 82,640 | \$ 185,390 |
| Restricted cash | 128 | 440 |
| Accounts receivable, less allowance for doubtful accounts of \$4,766 and \$3,805 at March 31, 2012 and December 31, 2011, respectively | 78,906 | 69,081 |
| Other receivables | 8,913 | 9,404 |
| Prepaid expenses | 18,253 | 16,551 |
| Other current assets | 1,399 | 1,382 |
| Income taxes recoverable | 19,302 | 19,866 |
| Deferred income taxes | 7,732 | 8,211 |
| Total current assets | 217,273 | 310,325 |
| Non-current assets: | | |
| Property and equipment, net | 44,773 | 44,781 |
| Restricted cash | 1,584 | 1,470 |
| Assets designated for retirement and pension plans | 23,557 | 22,883 |
| Investments | 11,236 | 9,868 |
| Other non-current assets | 6,794 | 6,480 |
| Goodwill | 91,113 | 90,696 |
| Other intangible assets, net | 2,383 | 2,556 |
| Deferred income taxes | 26,489 | 26,506 |
| Total non-current assets | 207,929 | 205,240 |
| Total assets | \$ 425,202 | \$ 515,565 |
| Current liabilities: | | |
| Accounts payable | \$ 9,583 | \$ 9,157 |
| Accrued salaries and employee benefits | 48,160 | 131,697 |
| Other current liabilities | 38,421 | 39,362 |
| Income taxes payable | 4,147 | 4,868 |
| Deferred income taxes | 200 | 6 |
| Total current liabilities | 100,511 | 185,090 |
| Non-current liabilities: | | |
| Retirement and pension plans | 33,772 | 31,747 |
| Other non-current liabilities | 39,913 | 47,396 |
| Deferred income taxes | 102 | 37 |

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| | | |
|--|------------|------------|
| Total non-current liabilities | 73,787 | 79,180 |
| Total liabilities | 174,298 | 264,270 |
| Commitments and contingencies (Note 16) | | |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized, no shares issued at March 31, 2012 and December 31, 2011 | | |
| Common stock, \$.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 17,986,111 and 17,870,236 shares outstanding at March 31, 2012 and December 31, 2011, respectively | 196 | 196 |
| Treasury stock at cost, 1,599,666 and 1,715,541 shares at March 31, 2012 and December 31, 2011, respectively | (54,664) | (58,690) |
| Additional paid in capital | 234,639 | 238,523 |
| Retained earnings | 53,312 | 55,029 |
| Accumulated other comprehensive income | 17,421 | 16,237 |
| Total stockholders' equity | 250,904 | 251,295 |
| Total liabilities and stockholders' equity | \$ 425,202 | \$ 515,565 |

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, | |
|--|---|-------------------|
| | 2012 | 2011 |
| Revenue: | | |
| Revenue before reimbursements (net revenue) | \$ 106,526 | \$ 115,622 |
| Reimbursements | 5,792 | 5,257 |
| Total revenue | 112,318 | 120,879 |
| Operating expenses: | | |
| Salaries and employee benefits | 76,672 | 88,381 |
| General and administrative expenses | 26,365 | 31,329 |
| Reimbursed expenses | 5,792 | 5,257 |
| Restructuring charges | 303 | |
| Total operating expenses | 109,132 | 124,967 |
| Operating income (loss) | 3,186 | (4,088) |
| Non-operating income (expense): | | |
| Interest income, net | 476 | 295 |
| Other, net | 826 | (2,115) |
| Net non-operating income (expense) | 1,302 | (1,820) |
| Income (loss) before income taxes | 4,488 | (5,908) |
| Provision for (benefit from) income taxes | 3,809 | (1,247) |
| Net income (loss) | 679 | (4,661) |
| Other comprehensive income, net of tax | 1,184 | 2,447 |
| Comprehensive income (loss) | \$ 1,863 | \$ (2,214) |
| Basic weighted average common shares outstanding | 17,902 | 17,627 |
| Dilutive common shares | 271 | |
| Diluted weighted average common shares outstanding | 18,173 | 17,627 |
| Basic net income (loss) per common share | \$ 0.04 | \$ (0.26) |
| Diluted net income (loss) per common share | \$ 0.04 | \$ (0.26) |
| Cash dividends paid per share | \$ 0.13 | \$ 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
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, 2011 | 19,586 | \$ 196 | 1,715 | \$ (58,690) | \$ 238,523 | \$ 55,029 | \$ 16,237 | \$ 251,295 |
| Net income | | | | | | 679 | | 679 |
| Other comprehensive income: | | | | | | | | |
| Unrealized gain on available for sale investments | | | | | | | 601 | 601 |
| Foreign currency translation adjustment | | | | | | | 583 | 583 |
| Comprehensive income | | | | | | 679 | 1,184 | 1,863 |
| Treasury and common stock transactions: | | | | | | | | |
| Stock-based compensation | | | | | 1,351 | | | 1,351 |
| Vesting of restricted stock units, net of tax withholdings | | & | | | | | | |