

HEIDRICK & STRUGGLES INTERNATIONAL INC
Form 10-Q
October 26, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

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)

Delaware 36-2681268

(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification Number)

233 South Wacker Drive-Suite 4900

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 23, 2017, there were 18,785,831 shares of the Company's common stock outstanding.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
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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)

	September 30, 2017 (Unaudited)	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 105,718	\$ 165,011
Accounts receivable, net	129,640	93,191
Prepaid expenses	24,420	21,602
Other current assets	15,258	13,779
Income taxes recoverable	5,655	4,847
Total current assets	280,691	298,430
Non-current assets:		
Property and equipment, net	41,945	35,099
Assets designated for retirement and pension plans	17,627	15,698
Investments	20,432	17,346
Other non-current assets	10,601	9,322
Goodwill	125,737	151,844
Other intangible assets, net	7,236	20,690
Deferred income taxes	49,158	33,073
Total non-current assets	272,736	283,072
Total assets	\$ 553,427	\$ 581,502
Current liabilities:		
Accounts payable	\$ 8,294	\$ 7,952
Accrued salaries and employee benefits	127,670	155,523
Deferred revenue, net	35,339	28,367
Other current liabilities	21,503	24,133
Income taxes payable	5,256	4,617
Total current liabilities	198,062	220,592
Non-current liabilities:		
Accrued salaries and employee benefits	32,130	34,993
Retirement and pension plans	44,891	39,039
Other non-current liabilities	27,373	28,288
Total non-current liabilities	104,394	102,320
Total liabilities	302,456	322,912
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, no shares issued at September 30, 2017 and December 31, 2016	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 18,781,433 and 18,578,176 shares outstanding at September 30, 2017 and December 31, 2016, respectively	196	196
Treasury stock at cost, 804,344 and 1,007,601 shares at September 30, 2017 and December 31, 2016, respectively	(26,097)	(32,915)

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Additional paid in capital	224,986	229,957
Retained earnings	40,927	58,030
Accumulated other comprehensive income	10,959	3,322
Total stockholders' equity	250,971	258,590
Total liabilities and stockholders' equity	\$553,427	\$581,502

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

1

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In thousands, except per share amounts)
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue:				
Revenue before reimbursements (net revenue)	\$ 159,800	\$ 143,519	\$ 452,020	\$ 422,569
Reimbursements	4,665	4,720	13,740	13,773
Total revenue	164,465	148,239	465,760	436,342
Operating expenses:				
Salaries and employee benefits	108,546			