

HALF ROBERT INTERNATIONAL INC /DE/
Form 10-Q
July 31, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

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 1-10427

ROBERT HALF INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction)

of incorporation or organization)

2884 Sand Hill Road

Suite 200

Menlo Park, California
(Address of principal executive offices)

94-1648752
(I.R.S. Employer

Identification No.)

94025
(zip-code)

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Registrant's telephone number, including area code: (650) 234-6000

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 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (Check one): 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 June 30, 2008:

155,911,790 shares of \$.001 par value Common Stock

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands, except share amounts)

	June 30, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	\$ 357,047	\$ 310,000
Accounts receivable, less allowances of \$29,996 and \$28,464	631,318	593,169
Deferred income taxes and other current assets	166,629	156,469
Total current assets	1,154,994	1,059,638
Goodwill and other intangible assets, net	193,963	195,143
Property and equipment, net	153,087	152,311
Deferred income taxes	49,505	43,206
Total assets	\$ 1,551,549	\$ 1,450,298
LIABILITIES		
Accounts payable and accrued expenses	\$ 127,972	\$ 108,070
Accrued payroll costs and retirement obligations	372,918	323,264
Income taxes payable	14,835	16,248
Current portion of notes payable and other indebtedness	101	370
Total current liabilities	515,826	447,952
Notes payable and other indebtedness, less current portion	3,633	3,753
Other liabilities	14,064	14,544
Total liabilities	533,523	466,249
Commitments and Contingencies (Note G)		
STOCKHOLDERS EQUITY		
Preferred stock, \$.001 par value authorized 5,000,000 shares; issued and outstanding zero shares		
Common stock, \$.001 par value authorized 260,000,000 shares; issued and outstanding 155,470,377 shares and 158,057,575 shares	155	158
Capital surplus	941,260	915,038
Accumulated other comprehensive income	76,611	68,853
Retained earnings		
Total stockholders equity	1,018,026	984,049
Total liabilities and stockholders equity	\$ 1,551,549	\$ 1,450,298

The accompanying Notes to Condensed Consolidated Financial Statements are

an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net service revenues	\$ 1,224,641	\$ 1,149,128	\$ 2,450,631	\$ 2,246,553
Direct costs of services, consisting of payroll, payroll taxes, insurance costs and reimbursable expenses	708,017	656,443	1,423,019	1,293,139
Gross margin	516,624	492,685	1,027,612	953,414
Selling, general and administrative expenses	393,393	374,636	787,824	723,015
Amortization of intangible assets	618	818	1,259	1,092
Interest income, net	(1,506)	(3,073)	(3,520)	(7,090)
Income before income taxes	124,119	120,304	242,049	236,397
Provision for income taxes	49,551	47,578	96,697	92,964
Net income	\$ 74,568	\$ 72,726	\$ 145,352	\$ 143,433
Basic net income per share	\$.49	\$.45	\$.95	\$.88
Diluted net income per share	\$.48	\$.44	\$.93	\$.86
Shares:				
Basic	152,877	160,781	153,722	162,302
Diluted	154,520	164,770	155,459	166,818
Cash dividends declared per share	\$.11	\$.10	\$.22	\$.20

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ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (UNAUDITED)

(in thousands, except per share amounts)

	Six Months Ended June 30,	
	2008	2007
COMMON STOCK SHARES:		
Balance at beginning of period	158,058	167,848
Net issuances of restricted stock	1,858	850
Repurchases of common stock	(5,799)	(7,071)
Exercises of stock options	1,353	2,290
Balance at end of period	155,470	163,917
COMMON STOCK PAR VALUE:		
Balance at beginning of period	\$ 158	\$ 168
Net issuances of restricted stock	2	1
Repurchases of common stock	(6)	(7)
Exercises of stock options	1	2
Balance at end of period	\$ 155	\$ 164
CAPITAL SURPLUS:		
Balance at beginning of period	\$ 915,038	\$ 1,003,926
Net issuances, and other changes to, restricted stock excess over par value	(2)	(1)
Repurchases of common stock excess over par value	(34,250)	(143,580)
Stock-based compensation expense restricted stock and stock units	32,249	25,431
Stock-based compensation expense stock options	2,410	5,117
Exercises of stock options excess over par value	22,065	43,186
Tax impact of equity incentive plans	3,750	18,935
Balance at end of period	\$ 941,260	\$ 953,014
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Balance at beginning of period	\$ 68,853	\$ 38,577
Translation adjustments, net of tax	7,758	13,808
Balance at end of period	\$ 76,611	\$ 52,385
RETAINED EARNINGS:		
Balance at beginning of period	\$	\$
Cumulative impact from adoption of FASB Interpretation No. 48		(1,709)
Repurchases of common stock excess over par value	(110,469)	(108,470)
Cash dividends (\$.22 per share and \$.20 per share)	(34,883)	(33,254)
Net income	145,352	143,433
Balance at end of period	\$	\$

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ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Six Months Ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 145,352	\$ 143,433
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	1,259	1,092
Depreciation expense	35,904	33,250
Stock-based compensation expense restricted stock and stock units	32,249	25,431
Stock-based compensation expense stock options	2,410	5,117
Excess tax benefits from stock-based compensation	(136)	(13,329)
Provision for deferred income taxes	(1,441)	8,303
Provision for doubtful accounts	7,405	4,933
Changes in assets and liabilities, net of effects of acquisitions:		
Increase in accounts receivable	(38,942)	(55,653)
Increase in accounts payable, accrued expenses, accrued payroll costs and retirement obligations	55,350	65,366
Increase in income taxes payable	2,224	23,605
Change in other assets, net of change in other liabilities	(3,852)	(7,434)
Net cash flows provided by operating activities	237,782	234,114
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of goodwill and other intangible assets and other assets	(272)	(19,477)
Capital expenditures	(38,837)	(46,383)
Increase in trusts for employee benefits and retirement plans	(5,867)	(6,963)
Net cash flows used in investing activities	(44,976)	(72,823)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchases of common stock	(135,285)	(252,057)
Cash dividends paid	(34,883)	(33,254)
Decrease in notes payable and other indebtedness	(321)	(312)
Excess tax benefits from stock-based compensation	136	13,329
Proceeds from exercises of stock options	22,066	43,188
Net cash flows used in financing activities	(148,287)	(229,106)
Effect of exchange rate changes on cash and cash equivalents	2,528	9,936
Net increase (decrease) in cash and cash equivalents	47,047	(57,879)
Cash and cash equivalents at beginning of period	310,000	447,479
Cash and cash equivalents at end of period	\$ 357,047	\$ 389,600
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 243	\$ 258
Income taxes, net of refunds	\$ 94,218	\$ 56,113
Purchase of goodwill and other intangible assets and other assets:		
Assets acquired		
Goodwill and other intangible assets	\$ 272	\$ 16,870
Other assets		3,002
Liabilities incurred		
Other liabilities		(395)

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Cash paid, net of cash acquired	\$ 272	\$ 19,477
Non-cash items:		
Stock repurchases awaiting settlement	\$ 9,440	\$

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an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2008

Note A Summary of Significant Accounting Policies

Nature of Operations. Robert Half International Inc. (the Company) provides specialized staffing and risk consulting services through such divisions as *Accountemps*[®], *Robert Half*[®] *Finance & Accounting*, *OfficeTeam*[®], *Robert Half*[®] *Technology*, *Robert Half*[®] *Management Resources*, *Robert Half*[®] *Legal*, *The Creative Group*[®], and *Protiviti*[®]. The Company, through its *Accountemps*, *Robert Half Finance & Accounting*, and *Robert Half Management Resources* divisions, is a specialized provider of temporary, full-time, and project professionals in the fields of accounting and finance. *Offic*