

HALF ROBERT INTERNATIONAL INC /DE/  
Form 10-Q  
November 06, 2006

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## 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 SEPTEMBER 30, 2006

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)

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

94-1648752  
(I.R.S. Employer

Identification No.)

94025  
(zip-code)

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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, or a non-accelerated filer. (Check one): Large accelerated filer  Accelerated filer  Non-accelerated filer

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 October 31, 2006:

167,577,808 shares of \$.001 par value Common Stock

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**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)

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
Cash and cash equivalents	\$ 431,657	\$ 458,358
Accounts receivable, less allowances of \$23,344 and \$20,766	536,629	451,260
Deferred income taxes and other current assets	121,421	107,290
<b>Total current assets</b>	<b>1,089,707</b>	<b>1,016,908</b>
Goodwill and other intangible assets, net	180,204	165,857
Property and equipment, net	130,050	110,515
Deferred income taxes	32,282	25,406
<b>Total assets</b>	<b>\$ 1,432,243</b>	<b>\$ 1,318,686</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 99,276	\$ 89,133
Accrued payroll costs and retirement obligations	303,876	239,509
Income taxes payable	29,141	7,703
Current portion of notes payable and other indebtedness	359	356
<b>Total current liabilities</b>	<b>432,652</b>	<b>336,701</b>
Notes payable and other indebtedness, less current portion	3,918	2,698
Other liabilities	8,970	8,414
<b>Total liabilities</b>	<b>445,540</b>	<b>347,813</b>
Commitments and Contingencies (Note G)		
<b>STOCKHOLDERS EQUITY</b>		
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 167,134,898 and 170,681,605 shares	167	171
Capital surplus	946,913	875,843
Deferred compensation		(86,178)
Accumulated other comprehensive income	37,981	24,987
Retained earnings	1,642	156,050
<b>Total stockholders equity</b>	<b>986,703</b>	<b>970,873</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,432,243</b>	<b>\$ 1,318,686</b>

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 September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net service revenues	\$ 1,027,563	\$ 867,015	\$ 2,953,312	\$ 2,453,674
Direct costs of services, consisting of payroll, payroll taxes and insurance costs for temporary and risk consulting employees	595,566	511,005	1,710,109	1,447,549
Gross margin	431,997	356,010	1,243,203	1,006,125
Selling, general and administrative expenses	316,732	253,445	912,387	727,831
Amortization of intangible assets	231	93	605	241
Interest income, net	(4,874)	(3,169)	(12,500)	(7,148)
Income before income taxes	119,908	105,641	342,711	285,201
Provision for income taxes	46,261	41,202	134,906	111,940
Net income	\$ 73,647	\$ 64,439	\$ 207,805	\$ 173,261
Basic net income per share	\$ .45	\$ .39	\$ 1.25	\$ 1.03
Diluted net income per share	\$ .43	\$ .37	\$ 1.20	\$ .99
Shares:				
Basic	165,177	166,553	166,781	167,900
Diluted	169,983	174,219	172,666	174,664
Cash dividends declared per share	\$ .08	\$ .07	\$ .24	\$ .21

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 STOCKHOLDERS EQUITY (UNAUDITED)

(in thousands, except per share amounts)

	Nine Months Ended September 30,	
	2006	2005
<b>COMMON STOCK SHARES:</b>		
Balance at beginning of period	170,682	172,981
Net issuances of restricted stock	1,204	910
Repurchases of common stock	(9,132)	(7,597)
Exercises of stock options	4,381	3,025
Balance at end of period	167,135	169,319
<b>COMMON STOCK PAR VALUE:</b>		
Balance at beginning of period	\$ 171	\$ 173
Net issuances of restricted stock	1	1
Repurchases of common stock	(9)	(8)
Exercises of stock options	4	3
Balance at end of period	\$ 167	\$ 169
<b>CAPITAL SURPLUS:</b>		
Balance at beginning of period	\$ 875,843	\$ 702,331
Net issuances, and other changes to, restricted stock excess over par value		29,040
Net issuances of restricted stock at par value	(1)	
Net issuances of stock units		705
Stock-based compensation expense restricted stock and stock units	29,943	
Stock-based compensation expense stock options	13,848	
Exercises of stock options excess over par value	70,131	44,163
Tax impact of equity incentive plans	43,327	20,623
Reclassification of deferred compensation	(86,178)	
Balance at end of period	\$ 946,913	\$ 796,862
<b>DEFERRED COMPENSATION:</b>		
Balance at beginning of period	\$ (86,178)	\$ (63,944)
Net issuances of, and other changes to, restricted stock		(29,041)
Net issuances of stock units		(705)
Amortization of deferred compensation		19,472
Reclassification of deferred compensation	86,178	
Balance at end of period	\$	\$ (74,218)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>		
Balance at beginning of period	\$ 24,987	\$ 32,570
Translation adjustments, net of tax	12,994	(4,299)
Balance at end of period	\$ 37,981	\$ 28,271
<b>RETAINED EARNINGS:</b>		
Balance at beginning of period	\$ 156,050	\$ 240,740

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Repurchases of common stock excess over par value	(321,291)	(214,647)
Cash dividends (\$.24 per share and \$.21 per share)	(40,922)	(35,801)
Net income	207,805	173,261
Balance at end of period	\$ 1,642	\$ 163,553

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 CASH FLOWS (UNAUDITED)

(in thousands)

	Nine Months Ended September 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 207,805	\$ 173,261
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	605	241
Depreciation expense	44,970	37,439
Stock-based compensation expense restricted stock and stock units	29,943	19,472
Stock-based compensation expense stock options	13,848	
Tax impact of equity incentive plans		20,623
Excess tax benefits from stock-based compensation	(33,070)	
Provision for deferred income taxes	(6,040)	(7,766)
Provision for doubtful accounts	6,459	7,985
Changes in assets and liabilities, net of effects of acquisitions:		
Increase in accounts receivable	(83,575)	(78,031)
Increase in accounts payable, accrued expenses, accrued payroll costs and retirement obligations	60,314	69,723
Increase in income taxes payable	64,636	3,104
Change in other assets, net of change in other liabilities	(9,101)	(8,467)
<b>Net cash flows provided by operating activities</b>	<b>296,794</b>	<b>237,584</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of goodwill and other intangible assets and other assets	(5,856)	(4,474)
Capital expenditures	(64,137)	(41,006)
Increase in trusts for employee benefits and retirement plans	(2,219)	(1,961)
Purchases of marketable securities		(602)
Proceeds from sales and maturities of marketable securities		92,128
<b>Net cash flows (used in) provided by investing activities</b>	<b>(72,212)</b>	<b>44,085</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repurchases of common stock	(321,300)	(214,655)
Cash dividends paid	(40,922)	(35,801)
(Decrease) increase in notes payable and other indebtedness	(331)	724
Excess tax benefits from stock-based compensation	33,070	
Proceeds from exercises of stock options	70,135	44,166
<b>Net cash flows used in financing activities</b>	<b>(259,348)</b>	<b>(205,566)</b>
Effect of exchange rate changes on cash and cash equivalents	8,065	(660)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(26,701)</b>	<b>75,443</b>
Cash and cash equivalents at beginning of period	458,358	345,283
<b>Cash and cash equivalents at end of period</b>	<b>\$ 431,657</b>	<b>\$</b>