

Hill International, Inc.  
Form 10-Q  
November 14, 2016  
[Table of Contents](#)

**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 September 30, 2016**

**or**

**o 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: 001-33961**

## HILL INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-0953973**  
(I.R.S. Employer  
Identification No.)

**One Commerce Square**  
**2005 Market Street, 17th Floor**  
**Philadelphia, PA**  
(Address of principal executive offices)

**19103**  
(Zip Code)

Registrant's telephone number, including area code: **(215) 309-7700**

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 a check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 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 smaller reporting company. See the 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

There were 51,767,114 shares of the Registrant's Common Stock outstanding at November 1, 2016.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often include words such as anticipates, estimates, expects, projects, intends, plans, believes and words and terms of similar substance in connection with discussion of future operating or financial performance.

The Company's forward-looking statements are based on management's current expectations and assumptions regarding the Company's business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. The Company's actual results may vary materially from those expressed or implied in its forward-looking statements.

Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include:

- The risks set forth in Item 1A, Risk Factors, of our most recent Annual Report on Form 10-K;
- Modifications and termination of client contracts;
- Control and operational issues pertaining to business activities that we conduct pursuant to joint ventures with other parties;
- Difficulties we may incur in implementing our acquisition strategy;
- The need to retain and recruit key technical and management personnel; and
- Unexpected adjustments and cancellations related to our backlog.

Other factors that may affect our businesses, financial position or results of operations include:

- Unexpected further delays in collections from clients located in the Middle East;
- Special risks of our ability to obtain debt financing or otherwise raise capital to meet required working capital needs and to support potential future acquisition activities;
- Special risks of international operations, including uncertain political and economic environments, acts of terrorism or war, potential incompatibilities with foreign joint venture partners, foreign currency fluctuations, civil disturbances and labor issues; and
- Special risks of contracts with governmental entities, including the failure of applicable governing authorities to take necessary actions to secure or maintain funding for particular projects with us, the unilateral termination of contracts by the government and reimbursement obligations to the government for funds previously received.

We assume no obligation to update or revise any forward-looking statements.

---

Table of Contents

**HILL INTERNATIONAL, INC. AND SUBDISIARIES**

**Index to Form 10-Q**

**PART I**      **FINANCIAL INFORMATION**

<u>Item 1</u>	<u>Financial Statements</u>	4
	<u>Consolidated Balance Sheets at September 30, 2016 (unaudited) and December 31, 2015</u>	4
	<u>Consolidated Statements of Earnings for the three and nine months ended September 30, 2016 and 2015 (unaudited)</u>	5
	<u>Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2016 and 2015 (unaudited)</u>	6
	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015 (unaudited)</u>	7
	<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
<u>Item 4</u>	<u>Controls and Procedures</u>	37
<b><u>Part II</u></b>	<b><u>OTHER INFORMATION</u></b>	
<u>Item 1</u>	<u>Legal Proceedings</u>	39
<u>Item 1A</u>	<u>Risk Factors</u>	39
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u>	39
<u>Item 4</u>	<u>Mine Safety Disclosures</u>	39
<u>Item 5</u>	<u>Other Information</u>	39
<u>Item 6</u>	<u>Exhibits</u>	39
	<u>Signatures</u>	40

---

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****HILL INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands, except per share data)**

	September 30, 2016 (unaudited)	December 31, 2015
<b>Assets</b>		
Cash and cash equivalents	\$ 21,219	\$ 24,089
Cash - restricted	3,710	4,435
Accounts receivable, less allowance for doubtful accounts of \$72,262 and \$63,748	229,892	243,417
Accounts receivable - affiliate	10,870	5,205
Prepaid expenses and other current assets	11,507	10,299
Income taxes receivable	5,035	4,146
Total current assets	282,233	291,591
Property and equipment, net	22,307	23,751
Cash - restricted, net of current portion	1,175	259
Retainage receivable	17,221	2,638
Acquired intangibles, net	11,560	14,659
Goodwill	75,899	74,893
Investments	4,738	8,386
Deferred income tax assets	19,274	19,724
Other assets	5,136	6,662
Total assets	\$ 439,543	\$ 442,563
<b>Liabilities and Stockholders Equity</b>		
Current maturities of notes payable	\$ 7,316	\$ 4,357
Accounts payable and accrued expenses	105,825	112,457
Income taxes payable	5,287	9,064
Deferred revenue	8,697	11,310
Other current liabilities	9,665	5,860
Total current liabilities	136,790	143,048
Notes payable, net of current maturities	146,639	140,626
Retainage payable	870	1,929
Deferred income taxes	16,472	16,341
Deferred revenue	15,254	11,919
Other liabilities	11,084	10,661
Total liabilities	327,109	324,524
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$.0001 par value; 1,000 shares authorized, none issued		
Common stock, \$.0001 par value; 100,000 shares authorized, 58,726 shares and 58,335 shares issued at September 30, 2016 and December 31, 2015, respectively	6	6

Edgar Filing: Hill International, Inc. - Form 10-Q

Additional paid-in capital	<b>189,049</b>	188,869
Retained earnings (deficit)	<b>(2,721)</b>	1,205
Accumulated other comprehensive loss	<b>(46,662)</b>	(46,866)
	<b>139,672</b>	143,214
Less treasury stock of 6,959 shares and 6,743 shares at September 30, 2016 and December 31, 2015, at cost	<b>(29,974)</b>	(29,245)
Hill International, Inc. share of equity	<b>109,698</b>	113,969
Noncontrolling interests	<b>2,736</b>	4,070
Total equity	<b>112,434</b>	118,039
Total liabilities and stockholders' equity	<b>\$ 439,543</b>	\$ 442,563

See accompanying notes to consolidated financial statements.

Table of Contents**HILL INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EARNINGS****(In thousands, except per share data)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Consulting fee revenue	\$ 147,993	\$ 158,579	\$ 457,912	\$ 469,458
Reimbursable expenses	19,960	20,356	61,851	61,393
Total revenue	167,953	178,935	519,763	530,851
Cost of services	81,241	89,345	265,052	268,174
Reimbursable expenses	19,960	20,356	61,851	61,393
Total direct expenses	101,201	109,701	326,903	329,567
Gross profit	66,752	69,234	192,860	201,284
Selling, general and administrative expenses	67,247	57,527	179,614	173,101
Share of loss of equity method affiliates	12	14	28	231
Operating profit	(507)	11,693	13,218	27,952
Interest expense and related financing fees, net	3,368	4,147	10,103	11,252
(Loss) earnings before income tax expense	(3,875)	7,546	3,115	16,700
Income tax expense	2,880	4,210	6,939	7,980
Net (loss) earnings	(6,755)	3,336	(3,824)	8,720
Less: net earnings noncontrolling interests	111	388	102	675
Net (loss) earnings attributable to Hill International	\$ (6,866)	\$ 2,948	\$ (3,926)	\$ 8,045
Basic (loss) earnings per common share - Hill International, Inc.	\$ (0.13)	\$ 0.06	\$ (0.08)	\$ 0.16
Basic weighted average common shares outstanding	51,753	51,119	51,704	50,661
Diluted (loss) earnings per common share - Hill International, Inc.	\$ (0.13)	\$ 0.06	\$ (0.08)	\$ 0.16
Diluted weighted average common shares outstanding	51,753	51,803	51,704	51,274

See accompanying notes to consolidated financial statements.





Table of Contents**HILL INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(In thousands)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (loss) earnings	\$ (6,755)	\$ 3,336	\$ (3,824)	\$ 8,720
Foreign currency translation adjustment, net of tax	(1,638)	(8,630)	(1,257)	(15,910)
Other, net	79	(78)	135	(213)
Comprehensive loss	(8,314)	(5,372)	(4,946)	(7,403)
Comprehensive earnings (loss) attributable to noncontrolling interests	132	(2,992)	(1,223)	(6,728)
Comprehensive loss attributable to Hill International, Inc.	\$ (8,446)	\$ (2,380)	\$ (3,723)	\$ (675)

See accompanying notes to consolidated financial statements.

Table of Contents

**HILL INTERNATIONAL, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

**(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net (loss) earnings	\$ (3,824)	\$ 8,720
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	7,705	8,286
Provision for bad debts	11,879	2,540
Amortization of deferred loan fees	1,334	1,333
Deferred tax expense (benefit)	663	(1,585)
Share based compensation	1,838	2,360
Changes in operating assets and liabilities, net:		