Hill International, Inc.
Form 10-K
August 31, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

Commission file number 001-33961
HILL INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-0953973
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

One Commerce Square
2005 Market Street, 17th Floor

Philadelphia, PA	19103
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.0001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No ý

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 o No ý

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 (§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 o No ý

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer o	Accelerated Filer x
Non-Accelerated Filer o	Smaller reporting company o
	Emerging growth company o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

The aggregate market value of shares of common stock held by non-affiliates on June 30, 2017 was approximately $270,716,337. As of August 28, 2018, there were 55,294,670 shares of the Registrant's Common Stock outstanding.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

Index to Form 10-K

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, and it is our intent that any such statements be protected by the safe harbor created thereby. Except for historical information, the matters set forth herein including, but not limited to, any projections of revenues, earnings, earnings before interest, taxes, depreciation and amortization (“EBITDA”), margin, profit improvement, cost savings or other financial items; any statements of belief, any statements concerning our plans, strategies and objectives for future operations; and any statements regarding future economic conditions or performance, are forward-looking statements.

These forward-looking statements are based on our current expectations, estimates and assumptions and are subject to certain risks and uncertainties. Although we believe that the expectations, estimates and assumptions reflected in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements.

Forward-looking statements may concern, among other things:

- The markets for our services;
- Projections of revenues and earnings, anticipated contractual obligations, funding requirements or other financial items;
- Statements concerning our plans, strategies and objectives for future operations; and
- Statements regarding future economic conditions or performance.

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

- The risks set forth in Item 1A, “Risk Factors,” herein;
- Unfavorable global economic conditions may adversely impact our business;
- Our backlog, which is subject to unexpected adjustments and cancellations, may not be fully realized as revenue;
- We may incur difficulties in implementing the profit improvement plan;
- Our expenses may be higher than anticipated;
- 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; and
- The need to retain and recruit key technical and management personnel.

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

- Unexpected delays in collections from clients;
- Risks related to our ability to obtain debt financing or otherwise raise capital to meet required working capital needs and to support potential future acquisition activities;
- Risks related to 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
- Risks related to 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 do not intend, and undertake no obligation, to update any forward-looking statement. In accordance with the Reform Act, Item 1A of this Report entitled “Risk Factors” contains cautionary statements that accompany those forward-looking statements. You should carefully review such cautionary statements as they identify certain important factors that could cause actual results to differ materially from those in the forward-looking statements and from historical trends. Those cautionary statements are not exclusive and are in addition to other factors discussed elsewhere in this Form 10-K, in our other filings with the SEC or in materials incorporated therein by reference.

Item 1. Business.

General

Hill International, Inc., with approximately 2,900 professionals in more than 50 offices worldwide, provides project management, construction management and other consulting services primarily to the building, transportation, environmental, energy and industrial markets. The terms "Hill", the "Company", "we", "us" and "our" refer to Hill International, Inc.

We compete for business based on a variety of factors such as technical capability, global resources, price, reputation and past experience, including client requirements for substantial experience in similar projects. We have developed significant long-standing relationships, which bring us repeat business and would be very difficult to replicate. We believe we have an excellent reputation for attracting and retaining professionals. In addition, we believe there are high barriers to entry for new competitors especially in the project management market.

Amounts throughout the remainder of this document are in thousands unless otherwise noted.

Our Strategy

Our strategy emphasizes the following key elements:

- Increase Revenues from Our Existing Clients. We have long-standing relationships with a number of public and private sector entities. Meeting our clients' diverse needs in managing construction risk and generating repeat business from our clients to expand our project base is one of our key growth strategies. We accomplish this objective by providing a broad range of project management consulting services in a wide range of geographic areas that support our clients during every phase of a project, from concept through completion. We believe that nurturing our existing client relationships expands our project base through repeat business.
- Capitalize Upon the Continued Spend in the Markets We Serve. We believe that the demand for project management services will grow with increasing construction and infrastructure spending in the markets we serve. We believe that our reputation and experience combined with our broad platform of service offerings will enable us to capitalize on increases in demand for our services. In addition, we strategically open new offices to expand into new geographic areas and we aggressively hire individuals with significant contacts to accelerate the growth of these new offices and to strengthen our presence in existing markets.
- Strengthen Professional Resources. Our biggest asset is the people that work for Hill. We intend to continue spending significant time recruiting and retaining the best and the brightest to improve our competitive position. Our independent status has attracted top project management talent with varied industry experience. We believe maintaining and bolstering our team will enable us to continue to grow our business.
- Control Our Costs and Expenses. The Company commenced a Profit Improvement Plan ("PIP") in May 2017 following the sale of the Construction Claims Group. We initially identified gross, annualized pre-tax savings ranging from $27 million to $38 million. As a result of the reductions implemented to date, the gross savings through December 31, 2017 were approximately $8 million, with expected annual gross savings of approximately $32 million in 2018. We continue to seek additional cost savings opportunities and have substantially completed the PIP as of the third quarter of 2018.

Reporting Segments

On December 20, 2016, we entered into a Stock Purchase Agreement to sell our Construction Claims Group, which is reported herein as discontinued operations. The transaction permitted us to strengthen our balance sheet and better focus on our project management business. See Note 2 to our consolidated financial statements for a description of the transaction.

The Company operates in a single reporting segment, known as the Project Management Group which provides fee-based construction management services to our clients, leveraging our construction expertise to identify potential trouble, difficulties and sources of delay on a construction project before they develop into costly problems. Our experienced professionals are capable of managing all phases of the construction process from concept through completion, including cost and budget controls, scheduling, estimating, expediting, inspection, contract administration and management of contractors, subcontractors and suppliers.

Our clients are typically billed a negotiated multiple of the actual direct cost of each professional assigned to a project and we are reimbursed for our out-of-pocket expenses. We believe our fee-based consulting has significant advantages over traditional general contractors. Specifically, because we do not assume project completion risk, our fee-based model eliminates many of the risks typically associated with providing "at risk" construction services.

Global Business

We operate worldwide and currently have over 50 offices in over 25 countries. The following table sets forth the amount and percentage of our revenues by geographic region for each of the past three fiscal years:

Revenue by Geographic Region:

	2017		2016		2015	
United States	$227,581	47.1 %	$204,035	39.5 %	$187,399	34.4 %
Latin America	11,772	2.4 %	18,775	3.6 %	26,350	4.8 %
Europe	43,179	8.9 %	41,062	8.0 %	42,635	7.8 %
Middle East	169,964	35.1 %	213,613	41.4 %	248,193	45.6 %
Africa	23,100	4.8 %	24,037	4.7 %	23,935	4.4 %
Asia/Pacific	8,140	1.7 %	14,490	2.8 %	16,248	3.0 %
Total	$483,736	100.0%	$516,012	100.0%	$544,760	100.0%

Grow Organically and Through Selective Acquisitions

Over the years, our business has expanded through organic growth and the acquisition of a number of project management businesses.

Clients

Our clients consist primarily of the United States federal, state and local governments, other national governments, and the private sector. The following table sets forth our breakdown of revenue attributable to these categories of clients for for the years ended December 31, 2017, 2016 and 2015:

Revenue By Client Type

	2017		2016		2015	
U.S. federal government	$15,105	3.1 %	$12,050	2.3 %	$10,737	2.0 %
U.S. state, regional and local governments	156,183	32.3 %	155,976	30.2 %	139,086	25.5 %
Foreign governments	133,655	27.6 %	170,567	33.1 %	209,468	38.5 %
Private sector	178,793	37.0 %	177,419	34.4 %	185,469	34.0 %
Total	$483,736	100.0%	$516,012	100.0%	$544,760	100.0%

The following table sets forth the percentage of our revenue contributed by each of our five largest clients for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
Largest client	6.0 %	9.0 %	8.0 %
2nd largest client	6.0 %	5.0 %	6.0 %
3rd largest client	4.0 %	5.0 %	5.0 %
4th largest client	3.0 %	4.0 %	4.0 %
5th largest client	3.0 %	4.0 %	3.0 %
Top 5 largest clients	22.0%	27.0%	26.0%

Business Development

The process for acquiring business from each of our categories of clients is principally the same, by participating in a competitive request-for-proposal ("RFP") process, with the primary difference among clients being that the process for public sector clients is significantly more formal and complex than for private sector clients as a result of government procurement rules and regulations that govern the public-sector process.

Although a significant factor in our business development consists of our standing in our industry, including existing relationships and reputation based on performance on completed projects, our marketing department undertakes a variety of activities in order to expand our exposure to potential new clients. These activities include media relations, advertising, promotions, market sector initiatives and maintaining our website and related web marketing. Media relations include placing articles that feature us and our personnel in trade publications and other media outlets. Our promotions include arranging speaking engagements for our personnel, participation in trade shows and other promotional activities. Market sector initiatives are designed to broaden our exposure to specific sectors of the construction industry by, for example, participating in or organizing industry seminars.

Doing business with governments is complex and requires the ability to comply with intricate regulations and satisfy periodic audits. We believe that the ability to understand these requirements and to successfully conduct business with government agencies is a barrier to entry for smaller, less experienced competitors. Most government contracts, including those with foreign governments, are subject to termination by the government, to government audits and to continued appropriations. For the year ended December 31, 2017, 2016 and 2015, revenue from U.S. and foreign government contracts represented approximately 63.0%, 65.6% and 66.0% of our total revenue, respectively.

We are required from time to time to obtain various permits, licenses and approvals in order to conduct our business in many of the jurisdictions where we operate. Our business of providing project management services is not subject to significant regulation by state, federal or foreign governments.

Contracts

The price provisions of our customer contracts can be grouped into three broad categories: cost-plus, time and materials, and fixed price. Cost-plus contracts provide for reimbursement of our costs and overhead plus a predetermined fee. Under some cost-plus contracts, our fee may be based partially on quality, schedule and other performance factors. We also enter into contracts whereby we bill our clients monthly at hourly billing rates. The hourly billing rates are determined by contract terms. For governmental clients, the hourly rates are generally calculated as salary costs plus overhead costs plus a negotiated profit percentage. For commercial clients, the hourly rate can be taken from a standard fee schedule by staff classification or it can be at a discount from this schedule. In some cases, primarily for foreign work, a monthly rate is negotiated rather than an hourly rate. This monthly rate is a build-up of staffing costs plus overhead and profit.

Backlog

We believe a primary indicator of our future performance is our backlog of uncompleted projects under contract or awarded. Our backlog represents management's estimate of the amount of contracts and awards in hand that we expect to result in future revenue. Our backlog is evaluated by management on a project-by-project basis and is reported for each period shown based upon the binding nature of the underlying contract, commitment or letter of intent, and other factors, including the economic, financial and regulatory viability of the project and the likelihood of the contract being extended, renewed or canceled.

Our backlog is important to us in anticipating and planning for our operational needs. Backlog is not a measure defined in U.S. generally accepted accounting principles ("U.S. GAAP"), and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog.

Although backlog reflects business that we consider to be firm, cancellations or scope adjustments may occur. Further, substantially all of our contracts with our clients may be terminated at will, in which case the client would only be obligated to us for services provided through the termination date. Historically, the impact of terminations and modifications on our realization of revenue from our backlog has not been significant, however, in December 2016, one contract in the Middle East and one contract in Africa were cancelled. As a result, approximately $73,000 was excluded from our backlog at December 31, 2016. Furthermore, reductions of our backlog as a result of contract terminations and modifications may be offset by additions to the backlog.

We adjust backlog to reflect project cancellations, deferrals and revisions in scope and cost (both upward and downward) known at the reporting date. Future contract modifications or cancellations, however, may increase or reduce backlog and future revenue.

The following tables show our backlog by geographic region:

	Total Backlog			12-Month Backlog		
As of December 31, 2017						
United States	$449,621	53.2	%	$116,975	37.5	%
Latin America	13,350	1.6	%	8,789	2.8	%
Europe	45,446	5.4	%	29,887	9.6	%
Middle East	250,956	29.6	%	126,965	40.6	%
Africa	67,491	8.0	%	23,111	7.4	%
Asia/Pacific	18,935	2.2	%	6,500	2.1	%
Total	$845,799	100.0	%	$312,227	100.0	%

	Total Backlog			12-Month Backlog		
As of December 31, 2016						
United States	$459,000	54.6	%	141,000	41.7	%
Latin America	10,000	1.2	%	8,000	2.4	%
Europe	38,225	4.5	%	26,091	7.7	%
Middle East	284,028	33.7	%	133,030	39.4	%
Africa	42,000	5.0	%	22,000	6.5	%
Asia/Pacific	8,000	1.0	%	8,000	2.3	%
Total	$841,253	100.0	%	$338,121	100.0	%

At December 31, 2017, our backlog was $845,799, compared to approximately $841,253 at December 31, 2016. Our net bookings during December 2017 of $488,283 equates to a book-to-bill ratio of 100.9%. We estimate that approximately $312,227 or 36.9% of the backlog at December 31, 2017 will be recognized during our 2018 fiscal year.

Competition

The project management industry is highly competitive. We compete for contracts, primarily on the basis of technical capability, with numerous entities, including other construction management companies, design or engineering firms, general contractors, management consulting firms and other entities. Compared to us, many of these competitors are larger, well-established companies that have broader geographic scope and greater financial and other resources. During 2017, some of our largest project management competitors included: AECOM, ARCADIS N.V., Jacobs Engineering Group, Inc., WSP Parsons Brinckerhoff, Inc., Parsons Corp. and Turner Construction Co.

Insurance

We maintain insurance covering general and professional liability, involving bodily injury and property damage. We have historically enjoyed a favorable loss ratio in all lines of insurance and our management considers our present limits of liability, deductibles and reserves to be adequate. We endeavor to reduce or eliminate risk through the use of quality assurance/control, risk management, workplace safety and similar methods to eliminate or reduce the risk of losses on a project.

Management

We are led by an experienced management team with significant experience in the construction industry. Additional information about our executive officers follows.

7

Executive Officers

Name	Age	Position
Paul J. Evans	50	Interim Chief Executive Officer
Raouf S. Ghali	57	President and Chief Operating Officer
Michael V. Griffin	65	Regional President, Americas
William H. Dengler, Jr.	52	Executive Vice President and General Counsel
Marco A. Martinez	52	Senior Vice President and Interim Chief Financial Officer
Abdo E. Kardous	59	Regional President, Middle East
J. Charles Levergood	57	Senior Vice President of Business Development, Americas

PAUL J. EVANS has been our Interim Chief Executive Officer since May 2017, and has been a member of our Board of Directors since August 2016. Over the course of his 25-year-plus career, Mr. Evans has held several leadership positions including Vice President, Chief Financial Officer and Treasurer of MYR Group; Chief Executive Officer of Conex Energy Corporation; Treasurer and Corporate Officer of Northwestern Energy; Vice President — Structured Finance, Valuation and Treasury Operations at Duke Energy North America; and Executive Director — Project Finance at NRG Energy. Mr. Evans is also a veteran of the U.S. Army. He holds a BBA from Stephen F. Austin State University and a Masters in international management from Thunderbird School of Global Management.

RAOUF S. GHALI has been our President and a member of our Board of Directors since August 2016 and our Chief Operating Officer since January 2015. Prior to that, he was President of our Project Management Group (International) from January 2005 to January 2015, Senior Vice President in charge of project management operations in Europe, North Africa and the Middle East from 2001 to 2004, and Vice President from 1993 to 2001. Prior to joining us, he worked for Walt Disney Imagineering from 1988 to 1993. Mr. Ghali earned both a B.S. in business administration and economics and an M.S. in business organizational management from the University of LaVerne.

MICHAEL V. GRIFFIN has been our Regional President, Americas since September 2017. Mr. Griffin started his career with Hill in 1981. Prior to joining us, Mr. Griffin worked for the City of Philadelphia in the Department of Public Property. He has more than 40 years of construction industry experience and has managed or overseen the delivery of a wide variety of technically complex facilities and projects. He has proven expertise in the planning, design and construction of major building, transportation and heavy civil construction projects. He earned both a B.S. and a M.S. in civil engineering from Villanova University, and a MBA in finance from La Salle University. He is a registered Professional Engineer in Pennsylvania, New Jersey, New York and Maryland.

WILLIAM H. DENGLER, JR. has been our Executive Vice President and General Counsel since August 2016. Mr. Dengler was previously Senior Vice President from 2007 to 2016, Vice President and General Counsel from 2002 to 2007, and Corporate Counsel from 2001 to 2002. Mr. Dengler also serves as corporate secretary to Hill and its subsidiaries. Prior to joining Hill, Mr. Dengler served as Assistant Counsel to former New Jersey Governors Donald DiFrancesco and Christine Todd Whitman from 1999 to 2001. Mr. Dengler earned his B.A. in political science from McDaniel College and his J.D. from Rutgers University School of Law at Camden. He is licensed to practice law in New Jersey, as well as before the U.S. Court of Appeals for the Third Circuit and the U.S. Supreme Court.

MARCO A. MARTINEZ has been our Senior Vice President and Interim Chief Financial Officer since November 2017. Mr. Martinez has over 27 years of financial and operational leadership experience including serving as Senior Vice President and Chief Financial Officer of Pernix Group and Vice President and Chief Financial Officer and Treasurer, Vice President of Contract Performance of MYR Group. Mr. Martinez earned both a BBA in accounting and a M.S. in finance from Loyola University, Chicago.

ABDO E. KARDOUS assumed the post of Regional President, Middle East in April 2018. Abdo joined Hill in 1997 as part of the Grand Mosque team, was promoted to Vice President in our Dubai office, and then named SVP Middle

East. He was key to establishing Hill's presence across the Gulf Cooperation Council before serving as Hill's Senior Vice President and Managing Director for the Asia/Pacific Region. Abdo is a member of both the Chartered Institute of Building (CIOB) and Association for Project Management (API), and has recently served on the Advisory Board of the Chicago based Council of Tall Buildings and Urban Habitat (CTBUH). He holds a B.S., Magna Cum Laude, in Civil Engineering, from the University of Maryland and an M.S. in Civil Engineering from the University of California, Berkley. Abdo brings more than 30 years of experience to the Middle East region, with expertise in the design, procurement, construction, and delivery of multi-billion-dollar projects in the residential, hospitality, energy, infrastructure, and marine sectors, among others. He was also named Hill Internationals' Project Manager of the Year in 2001.

J CHARLES LEVERGOOD "Chuck" is our Senior Vice President of Business Development, Americas. Chuck brings 32 years of experience in strategic business development, marketing and sales, consulting services, and construction management for multi-billion-dollar pursuits. Prior to joining Hill, he worked for 13 years at Jacobs Engineering Group in a variety of positions, most recently as Vice President of Mega Sales and Global Strategy for Jacobs' Global Buildings and Infrastructure group. Chuck also served as Vice President with Parsons Brinckerhoff and earlier as Director of Marketing with HNTB. Chuck earned his B.S.C.E. in Civil Engineering from Bucknell University and his M.S.C.E. in Civil Engineering from Purdue University. He is a registered professional engineer in Indiana, Maryland, Virginia, and the District of Columbia.

Employees

At June 30, 2018, we had 2,856 professionals. Of these professionals, 2,731 worked in our Project Management Group and 125 worked in our Corporate office. Our personnel included 2,430 full-time employees, 106 part-time employees, 233 independent external contractors and 87 external contractors provided by third-party agencies. We are not a party to any collective bargaining agreements.

Access to Company Information

We electronically file our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports with the United States Securities and Exchange Commission (the “SEC”). The public may read and copy any of the reports that are filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site at www.sec.gov that contains periodic reports, proxy statements, information statements and other information regarding issuers that file electronically.

We make available, free of charge, through our website or by responding to requests addressed to our Legal Department, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed by us with the SEC pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act, as amended. These reports are available as soon as practicable after such material is filed with or furnished to the SEC. Our primary website is www.hillintl.com. We post the charters for our audit, compensation and governance and nominating committees, corporate governance principles and code of ethics in the “Investors” section of our website. The information contained on our website, or on other websites linked to our website, is not part of this document.

Item 1A. Risk Factors.

Our business involves a number of risks and uncertainties, some of which are beyond our control. The risks and uncertainties described below could individually or collectively have a material adverse effect on our business, financial condition, results of operations and cash flows. While these are not the only risks and uncertainties we face, we believe that the more significant risks and uncertainties are as follows:

Risks Affecting the Business

Acts of terrorism, political, governmental and social upheaval and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel.

Acts of terrorism, political, governmental and social upheaval and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel, and may affect timing and collectability of our accounts receivable. Such events may cause further disruption to financial and commercial markets and may generate greater political and economic instability in some of the geographic areas in which we operate.

We may be unable to collect amounts owed to us, which could have a material adverse effect on our liquidity, results of operations and financial condition.

Accounts receivable represent the largest asset on our balance sheet. While we take steps to evaluate and manage the credit risks relating to our clients, economic downturns or other events can adversely affect the markets we serve and our clients ability to pay, which could reduce our ability to collect all amounts due from clients. If our clients delay in paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, results of operations, and financial condition.

Our business is sensitive to oil and gas prices, and fluctuations in oil and gas prices may negatively affect our business.

Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. Significant drops in oil or gas prices have led, and could lead to further slowdowns, in construction in oil and gas producing regions, which has had and could continue to have a material adverse effect on our business, results of operations, financial condition and cash flows.

Unfavorable global economic conditions could adversely affect our business, liquidity and financial results.

The markets that we serve are subject to fluctuation based on general global economic conditions and other factors. Unfavorable global economic conditions could adversely affect our business and results of operations, primarily by limiting our access to credit and disrupting our clients' businesses. The reduction in financial institutions' willingness or ability to lend has increased the cost of capital and reduced the availability of credit. Although we currently believe that the financial institutions with which we do business will be able to fulfill their commitments to us, there is no assurance that those institutions will be able or willing to continue to do so, which could have a material adverse impact on our business. Changes in general market conditions in the locations where we work may adversely affect our clients' level of spending, ability to obtain financing, and ability to make timely payments to us for our services, which could require us to increase our allowance for doubtful accounts, negatively impact our days sales outstanding, results of operations and liquidity.

We may be unable to win new contract awards if we cannot provide clients with letters of credit, bonds or other forms of guarantees.

In certain international regions, primarily the Middle East, it is industry practice for clients to require letters of credit, bonds, bank guarantees or other forms of guarantees. These letters of credit, bonds or guarantees indemnify our clients if we fail to perform our obligations under our contracts. We currently have relationships with various domestic and international banking institutions to assist us in providing clients with letters of credit or guarantees. In the event there are limitations in worldwide banking capacity, we may find it difficult to find sufficient bonding capacity to meet our future bonding needs. Failure to provide credit enhancements on terms required by a client may result in our inability to compete or win a project.

International operations and doing business with foreign governments expose us to legal, political, operational and economic risks in different countries and currency exchange rate fluctuations could adversely affect our financial results.

There are risks inherent in doing business internationally, including:

- Lack of developed legal systems to enforce contractual rights;
-

Foreign governments may assert sovereign or other immunity if we seek to assert our contractual rights thus depriving us of any ability to seek redress against them;

- Greater difficulties in managing and staffing foreign operations;
- Differences in employment laws and practices which could expose us to liabilities for payroll taxes, pensions and other expenses;
- Inadequate or failed internal controls, processes, people, and systems associated with foreign operations;
- Increased logistical complexity;
- Increased selling, general and administrative expenses associated with managing a larger and more global business;
- Greater risk of uncollectible accounts and longer collection cycles;
- Currency exchange rate fluctuations;
- Restrictions on the transfer of cash from certain foreign countries;
- Imposition of governmental controls;
- Political and economic instability;
- Changes in U.S. and other national government policies affecting the markets for our services and our ability to do business with certain foreign governments or their political leaders;

- Conflict between U.S. and non-U.S. law;
- Changes in regulatory practices, tariffs and taxes;
- Less established bankruptcy and insolvency procedures;
- Potential non-compliance with a wide variety of non-U.S. laws and regulations; and
- General economic, political and civil conditions in these foreign markets.

Any of these and other factors could have a material adverse effect on our business, results of operations, financial condition or cash flows.

We operate in many different jurisdictions and we could be adversely affected by any violations of the U.S. Foreign Corrupt Practices Act or similar worldwide and local anti-corruption laws.

The U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar worldwide and local anti-corruption laws in other jurisdictions, generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws. The policies also are applicable to agents through which we do business in certain non-U.S. jurisdictions. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from improper or criminal acts committed by our employees or agents. Our continued expansion outside the U.S., including in developing countries, could increase the risk of such violations in the future. Violations of these laws, or allegations of such violations, could disrupt our business, subject us to fines, penalties and restrictions and otherwise result in a material adverse effect on our results of operations or financial condition. All of our acquired businesses are subject to our internal policies. However, because our internal policies are more restrictive than some local laws or customs where we operate, we may be at an increased risk for violations while we train our new employees to comply with our internal policies and procedures.

Our business sometimes requires our employees to travel to and work in high security risk countries, which may result in employee injury, repatriation costs or other unforeseen costs.

Many of our employees often travel to and work in high security risk countries around the world that are undergoing or that may undergo political, social and economic upheavals resulting in war, civil unrest, criminal activity or acts of terrorism. For example, we have had and expect to continue to have significant projects in the Middle East and Africa. As a result, we may be subject to costs related to employee injury, repatriation or other unforeseen circumstances. Further, circumstances in these countries could make it difficult or impossible to attract and retain qualified employees, which could have a material adverse effect on our operations.

We depend on government contracts for a significant portion of our revenue. Our inability to win profitable government contracts could harm our operations and adversely affect our net earnings.

Our inability to win profitable government contracts could harm our operations and adversely affect our net earnings. Government contracts are typically awarded through a heavily regulated procurement process. Some government contracts are awarded to multiple competitors, causing increases in overall competition and pricing pressure. In turn, the competition and pricing pressure may require us to make sustained post-award efforts to reduce costs under these contracts. If we are not successful in reducing the amount of costs, our profitability on these contracts may be negatively impacted. In addition, some of our federal government contracts require U.S. government security clearances. If we or certain of our personnel were to lose these security clearances, our ability to continue performance of these contracts or to win new contracts requiring such clearances may be negatively impacted.

We depend on long-term government contracts, many of which are funded on an annual basis. If appropriations are not made in subsequent years of a multiple-year contract, we will not realize all of our potential revenue and profit from that project.

Most government contracts are subject to the continuing availability of legislative appropriation. Legislatures typically appropriate funds for a given program on a year-by-year basis, even though contract performance may take more than one year. As a result, at the beginning of a program, the related contract is only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent fiscal year. These appropriations and the timing of payment of appropriated amounts may be influenced by, among other things, the state of the economy, budgetary and other political issues affecting the particular government and its appropriations process, competing priorities for appropriation, the timing and amount of tax receipts and the overall level of government expenditures. If appropriations are not made in subsequent years on government contracts, then we will not realize all of our potential revenue and profit from those contracts.

We depend on contracts that may be terminated by our clients on short notice, which may adversely impact our ability to recognize all of our potential revenue and profit from the projects.

Substantially all of our contracts are subject to termination by the client either at its convenience or upon our default. If one of our clients terminates a contract at its convenience, then we typically are able to recover only costs incurred or committed, settlement expenses and profit on work completed prior to termination, which could prevent us from recognizing all of our potential revenue and profit from that contract. If one of our clients terminates the contract due to our default, we could be liable for excess costs incurred by the client in re-procuring services from another source, as well as other costs.

Our contracts with governmental agencies are subject to audit, which could result in adjustments to reimbursable contract costs or, if we are charged with wrongdoing, possible temporary or permanent suspension from participating in government programs.

Our books and records are subject to audit by the various governmental agencies we serve and by their representatives. These audits can result in adjustments to reimbursable contract costs and allocated overhead. In addition, if as a result of an audit, we or one of our subsidiaries is charged with wrongdoing or the government agency determines that we or one of our subsidiaries is otherwise no longer eligible for federal contracts, then we or, as applicable, that subsidiary, could be temporarily suspended or, in the event of convictions or civil judgments, could be prohibited from bidding on and receiving future government contracts for a period of time. Furthermore, as a United States government contractor, we are subject to increased risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities, the results of which could have a material adverse effect on our operations.

We submit change orders to our clients for work we perform beyond the scope of some of our contracts. If our clients do not approve these change orders, our net earnings could be adversely impacted.

We submit change orders under some of our contracts, typically for payment for work performed beyond the initial contractual requirements. The clients may not approve or may contest these change orders and we cannot assure you that these claims will be approved in whole, in part or at all. If these claims are not approved, our net earnings could be adversely impacted.

Our backlog of uncompleted projects under contract or awarded is subject to unexpected adjustments and cancellations, including the amount, if any, of future appropriations by the applicable contracting governmental agency, and it may not be indicative of our future revenue and profits.

The inability to obtain financing or governmental approvals, changes in economic or market conditions or other unforeseen events, such as terrorist acts or natural disasters, could lead to us not realizing any revenue under some or all of these contracts. We cannot assure you that the backlog attributed to any of our uncompleted projects under contract will be realized as revenue or, if realized, will result in profits.

Many projects may remain in our backlog for an extended period of time because of the size or long-term nature of the contract. In addition, from time to time projects are scaled back or cancelled. These types of backlog reductions adversely affect the revenue and profit that we ultimately receive. Included in our backlog is the maximum amount of all indefinite delivery/indefinite quantity (“ID/IQ”), or task order, contracts, or a lesser amount if we do not reasonably expect to be issued task orders for the maximum amount of such contracts. A significant amount of our backlog is derived from ID/IQ contracts and we cannot provide any assurance that we will in fact be awarded the maximum amount of such contracts.

Our dependence on subcontractors, partners and specialists could adversely affect our business.

We rely on third-party subcontractors as well as third-party strategic partners and specialists to complete our projects. To the extent that we cannot engage such subcontractors, partners or specialists or cannot engage them on a competitive basis, our ability to complete a project in a timely fashion or at a profit may be impaired. If we are unable to engage appropriate strategic partners or specialists in some instances, we could lose the ability to win some contracts. In addition, if a subcontractor or specialist is unable to deliver its services according to the negotiated terms for any reason, including the deterioration of its financial condition or over-commitment of its resources, we may be required to purchase the services from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the services were needed.

If our partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation or reduced profits.

We sometimes enter into joint venture agreements and other contractual arrangements with outside partners to jointly bid on and execute a particular project. The success of these joint projects depends on the satisfactory performance of the contractual obligations of both our partners and us. If any of our partners fails to satisfactorily perform its contractual obligations, we may be required to make additional investments and provide additional services to complete the project. If we are unable to adequately address our partner's performance issues, then our client could terminate the joint project, exposing us to legal liability, loss of reputation or reduced profits.

The project management business is highly competitive and if we fail to compete effectively, we may miss new business opportunities or lose existing clients and our revenues may decline.

The project management industry is highly competitive. We compete for contracts, primarily based on technical capability, with numerous entities, including other construction management companies, design or engineering firms, general contractors, management consulting firms and other entities. Compared to us, many of these competitors are larger, well-established companies that have broader geographic scope and greater financial and other resources. If we cannot compete effectively with our competitors, or if the costs of competing, including the costs of retaining and hiring professionals, become too expensive, our revenue growth and financial results may differ materially from our expectations.

We have acquired and may continue to acquire businesses as strategic opportunities arise and may be unable to realize the anticipated benefits of those acquisitions, or if we are unable to take advantage of strategic acquisition situations, our ability to expand our business may be slowed or curtailed.

In the past, we have acquired companies related to the project management business and we may continue to expand and diversify our operations with additional acquisitions as strategic opportunities arise. If the competition for acquisitions increases, or if the cost of acquiring businesses or assets becomes too expensive, the number of suitable acquisition opportunities may decline, the cost of making an acquisition may increase or we may be forced to agree to less advantageous acquisition terms for the companies that we are able to acquire. Alternatively, at the time an acquisition opportunity presents itself, internal and external pressures (including, but not limited to, borrowing capacity under our credit facilities or the availability of alternative financing), may cause us to be unable to pursue or complete an acquisition. Our ability to grow our business, particularly through acquisitions, may depend on our ability to raise capital by selling equity or debt securities or obtaining additional debt financing. There can be no assurance that we will be able to obtain financing when we need it or on terms acceptable to us.

In addition, managing the growth of our operations will require us to continually increase and improve our operational, financial and human resources management and our internal systems and controls. If we are unable to manage growth effectively or to successfully integrate acquisitions or if we are unable to grow organically, that could have a material adverse effect on our business.

Systems and information technology interruption and breaches in data security could adversely impact our ability to operate and our operating results.

We are heavily reliant on computer, information and communications technology and related systems in order to properly operate. From time to time, we experience system interruptions and delays. In the event we are unable to regularly deploy software and hardware, effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency and effectiveness of our systems, the operation of such systems could be interrupted or delayed, or our data security could be breached. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, power loss, telecommunications failures, acts of war or terrorism, acts of God, computer viruses, physical or electronic security breaches. Any of these or other events could cause system interruptions, delays and loss of critical data including private data. While we have taken steps to address these concerns by implementing sophisticated network security, training and internal control measures, there can be no assurance that a system failure or loss or data security breach will not materially adversely affect our business, financial condition and operating results.

Risks Related to Ownership of Our Common Stock

We have identified material weaknesses in our internal control over financial reporting and determined that our disclosure controls and procedures were not effective which could, if not remediated, result in additional material misstatements in our financial statements.

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over our financial reporting, as defined in Rules 13a-15(e) and 13a-15(f), respectively, under the Securities Exchange Act of 1934, as amended. As disclosed in Item 9A of this Annual Report on Form 10-K, management has identified several material weaknesses in our internal control over financial reporting and has determined that our disclosure controls and procedures were not effective. A material weakness is defined as a deficiency, or combination of significant deficiencies, in internal control over financial reporting, such that there is a more than a remote likelihood that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of these material weaknesses, our management concluded that the Company did not maintain effective disclosure controls and procedures and internal control over financial reporting as of December 31, 2017.

We have developed and have begun to implement a remediation plan designed to address these material weaknesses in internal control over financial reporting and ineffective disclosure controls and procedures. If our remedial measures are insufficient, or if additional material weaknesses or significant deficiencies in our internal controls are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results, which could materially and adversely affect our business and results of operations or financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the weaknesses or deficiencies, subject us to fines, penalties or judgments, harm our reputation or otherwise cause a decline in investor confidence.

The NYSE has suspended trading of our common stock and may delist our common stock from trading on its exchange, which could limit investors' ability to make transactions in our common stock and subject us to additional trading restrictions.

On August 13, 2018, the NYSE announced the suspension of trading of our common stock due to non-compliance with Section 802.01E of the NYSE's Listed Company Manual and announced that it was initiating proceedings to delist our common stock. As a result of the suspension, our common stock began trading on August 14, 2018 under the symbol "HILI" on the OTC Pink, which is operated by OTC Markets Group Inc. The Company has filed a Request for Review (the "Review Request") to a Committee of the Board of Directors of NYSE Regulation (the "Committee") with respect to the NYSE's determination to initiate delisting proceedings. The Company expects that the Committee will hold a hearing on the Review Request on or after 25 business days from the date of filing the Review Request. While the Company expects to be current with its filings on or before the NYSE's hearing date, we cannot assure you that our common stock will resume trading on the NYSE in the future. If the NYSE delists our common stock from listing on its exchange and we are not able to list our common stock on another national securities exchange, we expect our common stock would continue to be quoted on an over-the-counter market, such as the OTC Pink. If this were to continue, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our common stock;
- reduced liquidity for our common stock;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Future sales of our common and preferred stock may depress the price of our common stock.

As of August 28, 2018, there were 55,294,670 shares of our common stock outstanding. An additional 6,075,246 shares of our common stock may be issued upon the exercise of options held by employees, management and directors. We also have the authority, as determined by our Board of Directors, to issue up to 1,000,000 shares of preferred stock and additional options to purchase 2,077,459 shares of our common stock without stockholder approval. Future issuances or sales of our common stock could have an adverse effect on the market price of our common stock.

Because we have no current plans to pay cash dividends on our common stock, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends is limited by covenants of our Secured Credit Facilities and may be limited by future indebtedness incurred by our subsidiaries or us. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

We are able to issue shares of preferred stock with greater rights than our common stock.

Our Board of Directors is authorized to issue one or more series of preferred stock from time to time without any action on the part of our stockholders. Our Board of Directors also has the power, without stockholder approval, to set the terms of any such series of preferred stock that may be issued, including voting rights, dividend rights and preferences over our common stock with respect to dividends and other terms. If we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or other terms, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Provisions in our organizational documents and Delaware law could discourage potential acquisition proposals, could delay or prevent a change in control of the Company that our stockholders may consider favorable and could adversely affect the market value of our common stock.

Provisions in our organizational documents and Delaware law could discourage potential acquisition proposals, could delay or prevent a change in control of the Company that our stockholders may consider favorable and could adversely affect the market value of our common stock. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- Our Board of Directors is expressly authorized to make, alter or repeal our bylaws;
- Our Board of Directors is divided into three classes of service with staggered three-year terms. This means that only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms;
- Our Board of Directors is authorized to issue preferred stock without stockholder approval;
- Only our Board of Directors, our Chairman of the Board, our Chief Executive Officer or the holders of not less than 25% of our outstanding common stock and entitled to vote may call a special meeting of stockholders;
- Our bylaws require advance notice for stockholder proposals and director nominations;
- Our bylaws limit the removal of directors and the filling of director vacancies; and
- We will indemnify officers and directors against losses that may incur in connection with investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.

These provisions may make it more difficult for stockholders to take specific corporate actions and could have the effect of delaying or preventing a change in control of the Company.

In addition, Section 203 of the Delaware General Corporation Law imposes certain restrictions on mergers and other business combinations between the Company and any holder of 15% or more of our outstanding common stock. This provision is applicable to Hill and may have an anti-takeover effect that may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in the stockholder’s best interest. In general, Section 203 could delay for three years and impose conditions upon "business combinations" between an "interested shareholder" and Hill, unless prior approval by our Board of Directors is given. The term "business combination" is defined broadly to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. An "interested shareholder," in general, would be a person who, together with affiliates and associates, owns or within three years did own, 15% or more of a corporation's voting stock.

A small group of stockholders owns a large quantity of our common stock, thereby potentially exerting significant influence over the Company.

As of December 31, 2017, Irvin E. Richter, David L. Richter and other members of the Richter family beneficially owned approximately 16.3% of our common stock. This concentration of ownership could significantly influence matters requiring stockholder approval and could delay, deter or prevent a change in control of the Company or other business combinations that might otherwise be beneficial to our other stockholders. Accordingly, this concentration of ownership may impact the market price of our common stock. In addition, the interest of our significant stockholders may not always coincide with the interest of the Company’s other stockholders. In deciding how to vote on such matters, they may be influenced by interests that conflict with our other stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our executive and certain operating offices are currently located at One Commerce Square, 2005 Market Street, 17th Floor, Philadelphia, Pennsylvania 19103. We lease all of our office space and do not own any real property. The telephone number at our executive office is (215) 309-7700. In addition to our executive offices, we have approximately 80 operating leases for office facilities throughout the world.

Our principal worldwide office locations and the geographic regions in which we reflect their operations are:

United States
Baltimore, MD
Boston, MA
Cleveland, OH
Columbus, OH
Houston, TX
Irvine, CA
Irving, TX
Jacksonville, FL
Miami, FL
Mission Viejo, CA
New York, NY
Ontario, CA
Orlando, FL
Philadelphia, PA (Headquarters)
Phoenix, AZ
Pittsburgh, PA
San Francisco, CA
San Jose, CA
Seattle, WA
Spokane, WA
Toledo, OH
Woodbridge, NJ
Washington, DC

Europe
Amsterdam, Netherlands
Athens, Greece
Belgrade, Serbia
Bucharest, Romania
Dusseldorf, Germany
Frankfurt, Germany
Istanbul, Turkey
Lisbon, Portugal
London, UK
Madrid, Spain
Pristina, Kosovo
Warsaw, Poland
Wroclaw, Poland

Latin America
Bogota, Colombia
Mexico City, Mexico
Sao Paulo, Brazil

Middle East
Abu Dhabi, UAE
Doha, Qatar
Dubai, UAE
Jeddah, Saudi Arabia
Manama, Bahrain
Muscat, Oman
Riyadh, Saudi Arabia

Africa
Algiers, Algeria
Cairo, Egypt
Casablanca, Morocco

Asia/Pacific
Astana City, Kazakhstan
Gurgaon, India
Hong Kong, China

Item 3. Legal Proceedings.

General Litigation

From time to time, the Company is a defendant or plaintiff in various legal proceedings which arise in the normal course of business. As such, the Company is required to assess the likelihood of any adverse outcomes to these proceedings as well as potential ranges of probable losses. A determination of the amount of the provision required for these commitments and contingencies, if any, which would be charged to earnings, is made after careful analysis of each proceeding. The provision may change in the future due to new developments or changes in circumstances. Changes in the provision could increase or decrease the Company's earnings in the period the changes are made. It is the opinion of management, after consultation with legal counsel, that the ultimate resolution of these proceedings will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

In 2013, M.A. Angeliades, Inc. (“Plaintiff”) filed a complaint with the Supreme Court of New York against the Company and the New York City Department of Design and Construction (“DDC”) regarding payment of approximately $8,771 for work performed as a subcontractor to the Company plus interest and other costs. On October 5, 2015, pursuant to a settlement agreement, Hill paid Plaintiff approximately $2,596, including interest amounting to $1,056, of which $448 had been previously accrued and $608 was charged to expense for the year ended December 31, 2015. The Plaintiff resolved its remaining issues regarding change orders and compensation for delay with DDC. On January 16, 2016, Plaintiff filed a Motion to amend its complaint against the Company claiming that the amounts paid by the Company do not reconcile with the amounts Plaintiff believes the Company received from DDC despite DDC’s records reflecting the same amount as the Company’s. On August 8, 2016, the Plaintiff’s Motion was granted and the parties resolved the matter and entered into a confidential settlement and general release on August 17, 2018. The settlement was accrued for and reflected in the Company's balance sheet and the statement of operations as of and for the year ended December 31, 2017.

Knowles Limited (“Knowles”), a subsidiary of the Company’s Construction Claims Group, is a party to an arbitration proceeding instituted on July 8, 2014 in which Knowles claimed that it was entitled to payment for services rendered to Celtic Bioenergy Limited (“Celtic”). The arbitrator decided in favor of Knowles. The arbitrator’s award was appealed by Celtic to the U.K. High Court of Justice, Queen’s Bench Division, Technology and Construction Court (“Court”). On March 16, 2017, the Court (1) determined that certain relevant facts had been deliberately withheld from the arbitrator by an employee of Knowles and (2) remitted the challenged parts of the arbitrator’s award back to the arbitrator to consider the award in possession of the full facts. The Company is evaluating the impact of the judgment of the Court.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock has historically been traded on the New York Stock Exchange (“NYSE”) under the trading symbol “HIL.” On August 13, 2018, the NYSE suspended the trading of our common stock and commenced proceedings to delist our common stock due to our failure to be current in our periodic reporting obligations with the SEC. As a result, on August 14, 2018, our common stock commenced trading on the OTC Pink Marketplace under the symbol “HILI”. The following table includes the range of high and low trading prices for our common stock as reported on the NYSE for the periods presented.

	Price Range	
	High	Low
2017		
Fourth Quarter	$5.70	$4.75
Third Quarter	5.70	4.25
Second Quarter	5.30	3.70
First Quarter	5.70	3.85
2016		
Fourth Quarter	$4.62	$1.95
Third Quarter	4.64	3.96

Second Quarter	4.68	3.20
First Quarter	4.07	2.62

Stockholders

As of December 31, 2017, there were approximately 80 holders of record of our common stock. However, a single record stockholder account may represent multiple beneficial owners, including owners of shares in street name accounts. There are approximately 2,400 beneficial owners of our common stock.

Dividends

We have not paid any dividends on our common stock. The payment of dividends in the future will be contingent upon our earnings, if any, capital requirements and general financial condition of our business. Our Secured Credit Facilities currently limit the payment of dividends.

Securities Authorized for Issuance under Equity Compensation Plans

The table setting forth this information is included in Part III — Item 12 of this Form 10-K. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Recent Sales of Unregistered Securities

None.

Performance Graph

The performance graph and table below compare the cumulative total return of our common stock for the period from December 31, 2012 to December 31, 2017 with the comparable cumulative total returns of the Russell 2000 Index (of which the Company was a component stock) and a peer group which consists of the following eight companies: AECOM (ACM), Fluor Corporation (FLR), Granite Construction Incorporated (GVA), Jacobs Engineering Group Inc. (JEC), KBR, Inc. (KBR), NV5 Global, Inc. (NVEE), Tutor Perini Corporation (TPC), and Tetra Tech, Inc. (TTEK).

	2012	2013	2014	2015	2016	2017
Hill International, Inc.	$100.00	$107.91	$104.91	$106.00	$118.81	$148.79
Russell 2000 Index	100.00	136.92	141.74	133.66	159.65	180.60
Peer Group	100.00	128.24	119.82	126.03	177.30	219.52

Item 6. Selected Financial Data.

The following is selected financial data from our audited consolidated financial statements for each of the last five years. This data should be read in conjunction with our consolidated financial statements (and related notes) appearing in Item 8 of this report and with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” On May 5, 2017, the sale of the Construction Claims Group was finalized, which is reported as discontinued operations for each year presented. See Note 2 - "Discontinued Operations" to our consolidated financial statements for additional information. The data presented below is in thousands, except for (loss) earnings per share data.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
Income Statement Data:					
Revenue	$483,736	$516,012	$544,760	$489,348	$452,602
Direct expenses	336,883	358,943	373,544	322,733	303,918
Gross profit	146,853	157,069	171,216	166,615	148,684
Selling, general and administrative expenses	151,186	170,682	172,649	146,265	125,672
Share of (profit) loss of equity method affiliates	(3,777)	37	237	—	—
Operating profit (loss)	(556)	(13,650)	(1,670)	20,350	23,012
Interest and related financing fees, net	3,031	2,355	3,611	3,099	4,522
(Loss) earnings before income taxes	(3,587)	(16,005)	(5,281)	17,251	18,490
Income tax expense	3,103	5,955	5,833	9,997	6,650
(Loss) earnings from continuing operations	(6,690)	(21,960)	(11,114)	7,254	11,840
Discontinued Operations:					
Loss from discontinued operations	(14,479)	(11,776)	(2,564)	(18,627)	(9,512)
Gain on disposal of discontinued operations , net of tax	48,713	—	—	—	—
Total gain (loss) from discontinued operations	34,234	(11,776)	(2,564)	(18,627)	(9,512)
Net earnings (loss)	27,544	(33,736)	(13,678)	(11,373)	2,328
Less: net earnings - noncontrolling interests	178	76	823	1,304	2,271
Net earnings (loss) attributable to Hill International, Inc.	$27,366	$(33,812)	$(14,501)	$(12,677)	$57
Basic (loss) earnings per common share from continuing operations	$(0.13)	$(0.43)	$(0.24)	$0.13	$0.24
Basic loss per common share from discontinued operations	(0.28)	(0.22)	(0.05)	(0.42)	(0.24)
Basic gain on disposal of discontinued operation, net of tax	0.93	—	—	—	—
Basic earnings (loss) per common share - Hill International, Inc.	$0.52	$(0.65)	$(0.29)	$(0.29)	$—
Basic weighted average common shares outstanding	52,175	51,724	50,874	44,370	39,098
Diluted (loss) earnings per common share from continuing operations	$(0.13)	$(0.43)	$(0.24)	$0.13	$0.24
Diluted loss per common share from discontinued operations	(0.28)	(0.22)	(0.05)	(0.42)	(0.24)
Diluted gain on disposal of discontinued operation, net of tax	0.93	—	—	—	—
Diluted earnings (loss) per common share - Hill International, Inc.	$0.52	$(0.65)	$(0.29)	$(0.29)	$—
Diluted weighted average common shares outstanding	52,175	51,724	50,874	44,370	39,098

	Years Ended December 31,				
	2017	2016	2015	2014	2013
Discontinued Operations Data (1):					
Revenue	$62,149	$169,252	$168,029	$153,839	$124,164
Operating (loss) profit	(4,975)	3,970	10,753	9,842	10,399
Interest and related financing fees, net	8,858	11,271	11,053	27,386	18,343
Gain (Loss) before income taxes	47,610	(7,301)	(300)	(17,544)	(7,944)
Gain (Loss) from discontinued operations	$34,234	$(11,776)	$(2,564)	$(18,627)	$(9,512)

(1) See Note 2 to our consolidated financial statements for further information regarding this statement.

	As of December 31,				
	2017	2016	2015	2014	2013
Selected Balance Sheet Data:					
Cash and cash equivalents	$21,353	$25,637	$24,089	$30,124	$30,381
Accounts receivable, net	156,860	164,844	187,721	146,035	128,241
Current assets held for sale	—	54,651	60,092	53,393	51,071
Current assets	198,411	266,461	295,723	257,294	238,298
Assets held for sale	—	32,091	36,199	37,649	37,817
Total assets	293,295	400,075	426,455	396,072	375,747
Current liabilities held for sale	—	25,888	27,350	28,779	22,258
Current liabilities	125,874	139,525	144,596	139,968	139,788
Liabilities held for sale	—	5,087	6,730	3,787	3,579
Total debt	37,782	144,103	144,983	121,524	131,235
Stockholders' equity:					
Hill International, Inc. share of equity	$109,075	$74,358	$101,577	$106,710	$80,751
Noncontrolling interests	1,595	1,994	2,360	9,944	12,894
Total equity	$110,670	$76,352	$103,937	$116,654	$93,645

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The discussion and analysis presented below provides information to assist in understanding our financial condition and results of operations and should be read in conjunction with the Company's selected consolidated financial data included in Part II, item 6. Selected Financial Data and the Company's consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data.

See Part I, Item 1A. Risk Factors of this Annual Report on Form 10-K for a description of the risks associated with the Company.

Overview

On December 20, 2016, we entered into a definitive Stock Purchase Agreement to sell our Construction Claims Group, which is reported herein as discontinued operations. The transaction was finalized on May 5, 2017, and as a result of this transaction our management will focus on our Project Management business. See Note 2 of this Annual Report on Form 10-K for a description of the transaction. Subsequent to the sale of Construction Claims Group, Hill International, Inc. currently provides project management, construction management and other consulting services primarily to the buildings, transportation, environmental, energy and industrial markets.

2017 Business Overview

Consolidated Results
(In thousands)

	Years Ended December 31,		Change	
	2017	2016	$	%
Income Statement Data:				
Revenue	$ 483,736	$ 516,012	$ (32,276)	(6.3)%
Direct expenses	336,883	358,943	(22,060)	(6.1)%
Gross profit	146,853	157,069	(10,216)	(6.5)%
Selling, general and administrative expenses	151,186	170,682	(19,496)	(11.4)%
Share of (profit) loss of equity method affiliates	(3,777)	37	(3,814)	—
Operating profit (loss)	(556)	(13,650)	13,094	—
Interest and related financing fees, net	3,031	2,355	676	28.7 %
Loss before income taxes	(3,587)	(16,005)	12,418	(77.6)%
Income tax expense	3,103	5,955	(2,852)	(47.9)%
Loss from continuing operations	(6,690)	(21,960)	15,270	(69.5)%
Discontinued operations:				
Loss from discontinued operations	(14,479)	(11,776)	(2,703)	23.0 %
Gain on disposal of discontinued operations, net of tax	48,713	—	48,713	—
Total gain (loss) from discontinued operations	34,234	(11,776)	46,010	—
Net income (loss)	27,544	(33,736)	61,280	—
Less: net earnings - noncontrolling interests	178	76	102	134.2 %
Net income (loss) attributable to Hill International, Inc.	$ 27,366	$ (33,812)	$ 61,178	—

Revenue decreased $32,276, or 6.3%, to $483,736 in 2017, primarily due to the $43,649 decrease in the Middle East as a result of the closeout of projects in United Arab Emirates of $26,564 and Saudi Arabia of $6,167 and a decrease in activity on the Muscat International Airport project in Oman. In addition, Asia Pacific had a decrease of $6,350 primarily from a decrease in activity on large projects in Afghanistan and India. Latin America had a $7,003 decrease in revenue primarily due to weaker economic conditions in Brazil. These reductions were partially offset by increases in the United States of $23,546, which included a Western region revenue increase of approximately $16,759 due to the addition of new projects.

Gross profit decreased $10,216, or 6.5%, to $146,853 in 2017 primarily due to the winding down of major projects in the Middle East, Asia Pacific and Latin America regions. These decreases were partially offset by increases in revenues in the United States primarily related to new work in the Western Region.

SG&A expenses decreased $19,496, or 11.4% in 2017, primarily due to decreases in the Middle East as a result of a $3,663 decrease in unapplied labor from the closeout of projects and a $10,696 decrease in bad debt expense due to the large increase in reserves for certain accounts receivable in the Middle East during 2016. In addition, there was a $10,336 decrease in Europe and a $4,207 decrease in Africa primarily related to a reduction in foreign currency translation expense. Partially offsetting these decreases were cost increases primarily due to expenses related to the Company's profit improvement plan of approximately $5,019, increased severance costs of approximately $7,078 and restatement expenses of approximately $1,440.

Operating loss was $556 in 2017 compared to a loss of $13,650 in 2016. The decrease in operating loss was primarily due to an increase in operating profit in the United States of approximately $5,449 related to increased revenues in the Western region from new work. The Middle East contributed to the reduction in operating loss primarily from decreases in unapplied labor, bad debt and foreign currency translation expense. Europe also contributed to the decrease in operating loss due to a decrease in foreign currency translation expense. The decrease was partially offset by an increase in Corporate expenses primarily due to the profit improvement plan, restatement expenses and increased severance costs.

Income tax expense was $3,103 for 2017 compared to $5,955 for 2016. The decrease resulted primarily from a release in the valuation allowance and differences in statutory tax rates between foreign and U.S. jurisdictions, offset by the tax impact related to 2017 tax reform (or "2017 Tax Act").

Net income attributable to Hill was $27,366 in 2017 compared to a net loss of $33,812 in 2016. Diluted income per common share attributable to Hill was $0.52 in 2017 compared to a net loss per diluted common share attributable to Hill of $0.65 in 2016. Diluted loss per common share from continuing operations in 2017 was $0.13 compared to a diluted loss per share from continuing operations in 2016 of $0.43.

Critical Accounting Policies and Estimates

Our consolidated financial statements contained in this Annual Report on Form 10-K were prepared in accordance with U.S. GAAP. While there are a number of accounting policies, methods and estimates that affect the consolidated financial statements as described in Note 4 to the consolidated financial statements, areas that are particularly significant are discussed below. We believe our assumptions are reasonable and appropriate, however actual results may be materially different than estimated.

Revenue Recognition

We generate revenue primarily from providing professional services to our clients under various types of contracts. We evaluate contractual arrangements to determine how to recognize revenue. Below is a description of the basic types of contracts from which we may earn revenue:

Time and Materials Contracts

The majority of our contracts are for work where we bill the client monthly at hourly billing rates. The hourly billing rates are determined by contract terms. For governmental clients, the hourly rates are generally calculated as either (i) a negotiated multiplier of our direct labor costs or (ii) as direct labor costs plus overhead costs plus a negotiated profit percentage. For commercial clients, the hourly rates are generally taken from a standard fee schedule by staff classification or they can be at a negotiated discount from this schedule. In some cases, primarily for foreign work, a fixed monthly staff rate is negotiated rather than an hourly rate. This monthly rate is determined based upon a buildup of direct labor costs plus overhead and profit. We account for these contracts on a time-and-materials method, recognizing revenue as costs are incurred. Some of our time-and-materials contracts are subject to maximum contract values, and accordingly, revenue under these contracts is recognized under the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion.

Cost Plus Contracts

Under cost plus contracts, we charge our clients for our costs, including both direct and indirect costs, plus a fixed fee or rate. We generally recognize revenue based on the labor and non-labor costs we incur, plus the portion of the fixed fee or rate we have earned to date. Included in the total contract value for cost-plus fee arrangements is the portion of the fee for which receipt is determined to be probable.

Fixed-Price Contracts

Under fixed-price contracts, our clients pay us an agreed amount negotiated in advance for a specified scope of work. We recognize revenue on fixed-price contracts using the percentage-of-completion method where direct costs incurred to date are compared to total projected direct costs at contract completion. Prior to completion, our recognized profit margins on any fixed-price contract depend on the accuracy of our estimates and will increase to the extent that our actual costs are below the original estimated amounts. Conversely, if our costs exceed these estimates, our profit margins will decrease, and we may realize a loss on a project.

For all contract types noted above, change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and when the change order can be estimated. Management evaluates when a change order is probable based upon its experience in negotiating change orders, the customer's written approval of such changes or separate documentation of change order costs that are identifiable. Additional contract revenue related to claims is included in total estimated contract revenue when the amount can be reliably estimated, which is typically evidenced by a contract or other evidence providing a legal basis for the claim.

If estimated total costs on any contract indicate a loss, we charge the entire estimated loss to operations in the period when the loss becomes evident and the amount of loss can be reasonably estimated. Such losses could occur at any time and the effects may be material.

Allowance for Doubtful Accounts

We make ongoing estimates relating to the collectability of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our clients to make required payments. Estimates used in determining accounts receivable allowances are based on our evaluation of specific client accounts and contracts involved and the financial condition of our clients. The factors we consider in our evaluations include, but are not limited to, client type (U.S. federal and other national governments, state and local governments or private sector), historical contract performance, historical collection and delinquency trends, client credit worthiness, and general economic and political conditions. At December 31, 2017 and 2016, the allowance for doubtful accounts was $72,850 and $71,082, respectively.

Goodwill and Acquired Intangible Assets

Goodwill represents the excess of the consideration paid over the fair value of identifiable net assets acquired. Goodwill is not amortized, but instead is subject to impairment testing on an annual basis, and between annual tests whenever events or changes in circumstances indicate that the fair value may be below its carrying amount. The Company tests goodwill annually for impairment during the third fiscal quarter. To determine the fair value of our reporting unit, we use the discounted cash flow method and the quoted price method, weighting the results of each method.

Application of the goodwill impairment test requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth, the period over which cash flows will occur, and determination of the weighted average cost of capital, among other things. Based on the valuation as of July 1, 2017, the fair value of the Company exceeded its carrying value. Changes in these estimates and assumptions could materially affect our determination of fair value and/or goodwill impairment. Changes in future market conditions, our business strategy, or other factors could impact upon the future value of our project management operations, which could result in future impairment charges.

We amortize acquired intangible assets over their estimated useful lives and review the long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flow estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate.

Income Taxes

We make judgments and interpretations based on enacted tax laws, published tax guidance, as well as estimates of future earnings. These judgments and interpretations affect the provision for income taxes, deferred tax assets and liabilities and the valuation allowance. We evaluate the deferred tax assets to determine on the basis of objective factors whether the net assets will be realized through future years' taxable income. In the event that actual results differ from these estimates and assessments, additional valuation allowances may be required.

We will recognize a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is "more likely than not" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods.

Stock Options

We recognize compensation expense for all stock-based awards. These awards have included awards of common stock, deferred stock units and stock options. While fair value may be readily determinable for awards of stock and deferred stock units, market quotes are not available for long-term, nontransferable stock options because these instruments are not traded. We currently use the Black-Scholes option pricing model to estimate the fair value of options. Option valuation models require the input of highly subjective assumptions, including but not limited to stock price volatility, expected life and stock option exercise behavior.

Contingencies

Estimates are inherent in the assessment of our exposure to insurance claims that fall below policy deductibles and to litigation and other legal claims and contingencies, as well as in determining our liabilities for incurred but not reported insurance claims. Significant judgments by us and reliance on third-party experts are utilized in determining probable and/or reasonably estimable amounts to be recorded or disclosed in our financial statements. The results of any changes in accounting estimates are reflected in the financial statements of the period in which the changes are determined. We do not believe that material changes to these estimates are reasonably likely to occur.

Results of Operations

Year Ended December 31, 2017 Compared to
Year Ended December 31, 2016

Revenues:

	2017		2016		Change	
United States	$227,581	47.1 %	$204,035	39.5 %	$23,546	11.5 %
Latin America	11,772	2.4 %	18,775	3.6 %	(7,003)	(37.3)%
Europe	43,179	8.9 %	41,062	8.0 %	2,117	5.2 %
Middle East	169,964	35.1 %	213,613	41.4 %	(43,649)	(20.4)%
Africa	23,100	4.8 %	24,037	4.7 %	(937)	(3.9)%
Asia/Pacific	8,140	1.7 %	14,490	2.8 %	(6,350)	(43.8)%
Total	$483,736	100.0%	$516,012	100.0%	$(32,276)	(6.3)%

The decrease in revenue for the twelve months ended December 31, 2017 compared to the same period in 2016 was primarily due to the decrease in the Middle East as a result of the closeout of projects in United Arab Emirates of $26,564 and Saudi Arabia of $6,167 and a decrease in activity of the Muscat International Airport project in Oman. In addition, Asia Pacific had a decrease of $6,350 primarily from a decrease in activity of large projects in Afghanistan and India. Latin America had a revenue decline primarily due to weaker economic conditions in Brazil. These reductions were partially offset by increases in the United States primarily in the Western region, were revenue increased approximately $16,759 due to the addition of new projects.

Gross Profit:

	2017		% of Revenue	2016		% of Revenue	Change	
United States	$66,117	45.1 %	29.1 %	$60,464	38.4 %	29.6 %	$5,653	9.3 %
Latin America	4,723	3.2 %	40.1 %	7,304	4.7 %	38.9 %	(2,581)	(35.3)%
Europe	13,524	9.2 %	31.3 %	13,465	8.6 %	32.8 %	59	0.4 %
Middle East	48,221	32.8 %	28.4 %	60,079	38.3 %	28.1 %	(11,858)	(19.7)%
Africa	10,284	7.0 %	44.5 %	8,770	5.6 %	36.5 %	1,514	17.3 %
Asia/Pacific	3,984	2.7 %	48.9 %	6,987	4.4 %	48.2 %	(3,003)	(43.0)%
Total	$146,853	100.0%	30.4 %	$157,069	100.0%	30.4 %	$(10,216)	(6.5)%

The decrease in gross profit was primarily due to the winding down of major projects in the Middle East, Asia Pacific and Latin America regions. These decreases were partially offset by increases in gross profit in the United States related to new work in the Western Region.

Selling, General and Administrative Expenses:

SG&A expenses represented 31.3% and 33.1% of revenues in 2017 and 2016, respectively.

SG&A expenses decreased $19,496 from $170,682 in 2016 to $151,186 in 2017. The decrease was primarily due to decreases in the Middle East as a result of a $10,696 decrease in bad debt expense due to the large increase in reserves for certain accounts receivable in the Middle East during 2016 and a $3,663 decrease primarily due to non productive labor costs reduction related to the closeout of projects. In addition, there was a $10,336 decrease in Europe and a $4,207 decrease in Africa primarily related to a reduction in foreign currency translation expense. Partially offsetting these decreases were cost increases primarily due to expenses related to the Company's profit improvement plan of approximately $5,019, increased severance costs of approximately $7,078 and restatement expenses of approximately $1,440.

Operating Profit (Loss):

	2017	% of Revenue	2016	% of Revenue	Change	
United States	$23,191	10.2 %	$17,742	8.7 %	$5,449	30.7 %
Latin America	(3,190)	(27.1)%	1,702	9.1 %	(4,892)	—
Europe	3,221	7.5 %	(8,285)	(20.2)%	11,506	—
Middle East	21,096	12.4 %	15,992	7.5 %	5,104	31.9 %
Africa	(752)	(3.3)%	(7,083)	(29.5)%	6,331	(89.4)%
Asia/Pacific*	(1,378)	(16.9)%	1,097	7.6 %	(2,475)	—
Corporate	(42,744)	—	(34,815)	—	(7,929)	22.8 %
Total	$(556)	(0.1)%	$(13,650)	(2.6)%	$13,094	—

*includes Hill's share of (profits) loss of equity method affiliates on the Consolidated Statements of Operations.

Operating loss decreased primarily due to an increase in operating profit in the United States as a result of increased revenues in the Western region from new work. The Middle East contributed to the decrease in the operating loss primarily from decreases in unapplied labor, bad debt and foreign currency translation expense. Europe also contributed to the decrease in operating loss due to a decrease in foreign currency translation expense. The decrease was partially offset by an increase in Corporate expenses primarily due to the profit improvement plan, restatement expenses and increased severance costs. Corporate expenses increased by $7,929, and represented 8.8% of total revenue in 2017 compared to 6.7% of total revenue in 2016.

Interest and related financing fees, net

Net interest and related financing fees increased $676 to $3,031 in 2017 as compared with $2,355 in 2016 due to the establishment of new credit facilities and long term financing after the Construction Claims Group sale.

Income Taxes

In 2017, income tax expense was $3,103 compared to $5,955 in 2016. The effective income tax rates for 2017, and 2016 were (86.5)% and (37.2)%, respectively. The differences between the federal statutory rate and the effective tax rate are caused by several items including the difference between the U.S. federal statutory rates and the foreign tax rates, the impact of the Tax Reform and Jobs Act, the interaction of losses between continuing and discontinuing operation and other miscellaneous items.

In 2016, the Company's effective tax rate differed from the U.S. federal statutory rate primarily as a result of the inability to record an income tax benefit related to the U.S. net operating loss and increases caused by various foreign withholding taxes.

Net Income (Loss) Attributable to Hill

Net income attributable to Hill International, Inc. for 2017 was $27,366, or $0.52 per diluted common share as compared to a 2016 loss of $33,812, or $0.65 per diluted common share. Net loss from continuing operations for 2017 was $6,690, or $0.13 per diluted share, compared to net loss from continuing operations of $21,960, or $0.43 per diluted share, in 2016.

Year Ended December 31, 2016 Compared to
Year Ended December 31, 2015

Revenues:

	2016		2015		Change	
United States	$204,035	39.5 %	$187,399	34.4 %	$16,636	8.9 %
Latin America	18,775	3.6 %	26,350	4.8 %	(7,575)	(28.7)%
Europe	41,062	8.0 %	42,635	7.8 %	(1,573)	(3.7)%
Middle East	213,613	41.4 %	248,193	45.6 %	(34,580)	(13.9)%
Africa	24,037	4.7 %	23,935	4.4 %	102	0.4 %
Asia/Pacific	14,490	2.8 %	16,248	3.0 %	(1,758)	(10.8)%
Total	$516,012	100.0%	$544,760	100.0%	$(28,748)	(5.3)%

The primary decrease in revenue occurred in the Middle East with decreases of $14,419 in the United Arab Emirates and $6,687 in Saudi Arabia as economic conditions caused a decrease in funding for projects and a decrease of $7,713 in Oman resulting from the wind-down of a major project. The increase in revenues in the United States occurred throughout all regions. In Latin America, the decrease was primarily in Brazil where revenues decreased by $6,774 as the economic conditions in the region continue to reduce available work. In Europe, decreases in Romania, Azerbaijan and Luxembourg were partially offset by increases in Turkey, Greece, Serbia, Portugal and Poland. In Africa, revenues were up slightly where increases in Algeria and Morocco were partially offset by a decrease in Egypt. The decrease in Asia/Pacific occurred primarily in Afghanistan and was partially offset by an increase in India.

Gross Profit:

	2016		% of Revenue	2015		% of Revenue	Change	
United States	$60,464	38.4 %	29.6 %	$55,362	32.2 %	29.5 %	$5,102	9.2 %
Latin America	7,304	4.7 %	38.9 %	11,074	6.5 %	42.0 %	(3,770)	(34.0)%
Europe	13,465	8.6 %	32.8 %	13,664	8.0 %	32.0 %	(199)	(1.5)%
Middle East	60,079	38.3 %	28.1 %	76,816	44.9 %	31.0 %	(16,737)	(21.8)%
Africa	8,770	5.6 %	36.5 %	7,169	4.2 %	30.0 %	1,601	22.3 %
Asia/Pacific	6,987	4.4 %	48.2 %	7,131	4.2 %	43.9 %	(144)	(2.0)%
Total	$157,069	100.0%	30.4 %	$171,216	100.0%	31.4 %	$(14,147)	(8.3)%

The decrease in gross profit included decreases in the Middle East and Latin America due to the decreases in revenues partially offset by increases in the United States. The overall gross profit percentage decreased slightly due to lower margins primarily in the United Arab Emirates, Qatar and Mexico.

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses represented 33.1% and 31.7% of revenues in 2016 and 2015, respectively.

SG&A expenses decreased $1,967 from $172,649 in 2015 to $170,682 in 2016. The decrease was primarily due to the following:

- A net decrease of $4,661 in unapplied and indirect labor primarily due to reductions in staff in Saudi Arabia, Brazil and Spain during 2015 and early 2016, a net decrease in foreign currency transaction losses of $1,867, a net decrease in amortization expense of $1,309 and a net decrease to Corporate selling, general and administrative expenses of $3,180; partially offset by

- A net increase of $8,193 in bad debt expense for certain accounts receivable within primarily the Middle East and Asia Pacific regions.

Operating Profit (Loss):

	2016	% of Revenue	2015	% of Revenue	Change	
United States	$17,742	8.7 %	$14,300	7.6 %	$3,442	24.1 %
Latin America	1,702	9.1 %	(2,384)	(9.0)%	4,086	—
Europe	(8,285)	(20.2)%	(15,180)	(35.6)%	6,895	(45.4)%
Middle East	15,992	7.5 %	36,307	14.6 %	(20,315)	(56.0)%
Africa	(7,083)	(29.5)%	864	3.6 %	(7,947)	—
Asia/Pacific*	1,097	7.6 %	2,418	14.9 %	(1,321)	(54.6)%
Corporate	(34,815)	—	(37,995)	—	3,180	—
Total	$(13,650)	(2.6)%	$(1,670)	(0.3)%	$(11,980)	717.4 %

*includes Hill's share of loss (profits) of equity method affiliates on the Consolidated Statements of Operations.

The decrease in operating profit was primarily due to the decrease in revenues, the increase in bad debt expense in the Middle East and the decrease in gross profit in Africa, partially offset by increases in Europe due to a reduction in direct expenses and in the United States related to higher revenues. Corporate expenses decreased by $3,180, and represented 6.7% of total revenue in 2016 compared to 7.0% of total revenue in 2015.

Interest and related financing fees, net

Net interest and related financing fees decreased $1,256 to $2,355 in 2016 as compared with $3,611 in 2015. The decrease was primarily due to interest of $1,056 paid to a subcontractor as a result of a legal settlement in 2015.

Income Taxes

In 2016, income tax expense was $5,955 compared to $5,833 in 2015. The effective income tax expense rates for 2016 and 2015 were (37.2%) and (110.5%), respectively. The increase in expense in 2016 compared to 2015 results from the mix of income and tax rates in various foreign jurisdictions. The difference in the Company’s 2016 effective tax rate compared to the 2015 rate is primarily related to a significant decrease in the Company’s foreign pretax earnings of approximately $18,000, primarily related to the Middle East operations without a significant related income tax benefit. In addition, the Company recognized an income tax expense of $689 in 2016 resulting from adjustments to agree the 2015 book amount to the actual amounts reported on the tax returns in foreign jurisdictions. In both years, the Company’s effective tax rate is significantly higher than the U.S. federal statutory rate primarily as a result of the inability to record an income tax benefit related to the U.S. net operating loss and increases caused by various foreign withholding taxes.

In 2015, several items materially affected the Company’s effective tax rate. An income tax benefit of $205 resulted from adjustments to agree the 2014 book amount to the actual amounts reported on the tax returns in foreign jurisdictions. The benefit was offset by increased foreign withholding taxes.

Net Loss Attributable to Hill

Net loss attributable to Hill International, Inc. for 2016 was $33,812, or $0.65 per diluted common share based on 51,724 diluted common shares outstanding, as compared to net loss for 2015 of $14,501, or $0.29 per diluted common share based upon 50,874 diluted common shares outstanding. Net loss from continuing operations for 2016 was $21,960, or $0.43 per diluted share, compared to net loss from continuing operations of $11,114, or $0.24 per diluted share, in 2015.

Liquidity and Capital Resources

At December 31, 2017, our primary sources of liquidity consisted of $21,353 cash and cash equivalents, of which $21,140 was on deposit in foreign locations, and $19,770 of available borrowing capacity under our various credit facilities. At December 31, 2016, we were in default of our Consolidated Net Leverage Ratio and Excess Account Concentration covenant. On March 27, 2017, we received a waiver of the default from Société Générale. See Note 11 to our consolidated financial statements for a description of our credit facilities and term loan. We believe that we have sufficient liquidity to support the reasonably anticipated cash needs of our operations over the next twelve months.

From July 18, 2018 to August 8, 2018 we were not in compliance with the requirements of our Revolving Credit Facilities, which required the filing of this Annual Report on Form 10-K by July 17, 2018, the Form 10-Q for the first quarter of 2018 by July 30, 2018 and the Form 10-Q for the second quarter of 2018 by August 14, 2018. We obtained a waiver of non-compliance of the related covenants in our Revolving Credit Facilities which require us to file this Annual Report on Form 10-K, the Form 10-Q for the first quarter of 2018 and the Form 10-Q for the second quarter of 2018 by September 30, 2018. If we do not file such reports in accordance with this deadline, we may again be in noncompliance with the requirements of the Revolving Credit Facilities, however we expect to comply with these requirements.

Sources of Additional Capital

We also have relationships with other foreign banks for the issuance of letters of credit, letters of guarantee and performance bonds in a variety of foreign currencies. At December 31, 2017, we had approximately $79,041 of availability under these arrangements.

If additional financing is required in the future due to changes in strategic or operating plans, we cannot provide any assurance that any other sources of financing will be available, or if available, that the financing will be on terms acceptable to us.

Cash Flows

For the year ended December 31, 2017, our cash and cash equivalents decreased by $4,284 to $21,353. This compares to a net increase in cash and cash equivalents of $1,548 during the prior year. Cash used in operating activities was $11,953, cash provided by investing activities was $126,324 and cash used in financing activities was $115,818. We also experienced a net decrease in cash of $2,837 from the effect of foreign currency exchange rate fluctuations.

Operating Activities

Our operations used $11,953 of cash of in 2017, compared with providing cash of $8,898 and $536 in 2016 and 2015, respectively. These amounts include cash used by discontinued operations of $12,634, $7,943 and $5,928 in 2017, 2016 and 2015, respectively.

Our continuing operations had losses of $6,690, $21,960 and $11,114 in 2017, 2016 and 2015, respectively. Depreciation and amortization from continuing operations was $6,523, $7,265 and $7,940 in 2017, 2016 and 2015, respectively.

Cash held in restricted accounts as collateral for the issuance of performance and advance payment bonds, letters of credit and escrow were relatively unchanged between December 31, 2017 and 2016 at $4,407 and $4,312, respectively.

Although we continually monitor our accounts receivable, we manage our operating cash flows by managing the working capital accounts in total, rather than by individual elements. The primary elements of our working capital are accounts receivable, prepaid and other current assets, accounts payable and deferred revenue. Accounts receivable consist of billing to our clients for our consulting fees and other job-related costs. Prepaid expenses and other current assets consist of prepayments for various selling, general and administrative costs, such as insurance, rent, maintenance, etc. Accounts payable consist of obligations to third parties relating primarily to costs incurred for specific engagements, including pass-through costs such as subcontractor costs. Deferred revenue consists of payments received from clients in advance of work performed.

From year to year, the components of our working capital accounts may reflect significant changes. The changes are due primarily to the timing of cash receipts and payments with our working capital accounts combined with increases in our receivables and payables relative to the increase in our overall business, as well as our acquisition activity.

Investing Activities

Net cash provided by investing activities in 2017 was $126,324 as a result of the disposition of the discontinued operations during the second quarter of 2017 (see Note 2 to our financial statements). Net cash used in investing activities during 2016 was $4,050 for the purchase of leasehold improvements, computers, office equipment and furniture and fixtures. Of this amount, $1,800 was used to implement a database system for our Human Resources department.

Financing Activities

Net cash used in financing activities during 2017 was $115,818, primarily due to the $117,494 pay-off of our 2014 term loan, $25,940 in net payments against our revolving credit facilities and payments of $4,038 for fees associated with our 2017 Credit Facility. These payments were partially offset by $30,000 of proceeds from our new term loans.

New Accounting Pronouncements

For information with respect to new accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 4 to the consolidated financial statements in Item 8 hereof.

Quarterly Fluctuations

Our operating results vary from period to period as a result of the timing of projects and assignments. We do not believe that our business is seasonal.

Inflation

Although we are subject to fluctuations in the local currencies of the countries in which we operate, we do not believe that inflation will have a significant effect on our results of operations or our financial position.

Off-Balance Sheet Arrangements

The following chart provides information with respect to off-balance sheet arrangements:

	Total (1)	2018	2019-2020	2021-2022	2023 and later
Performance bonds (2)	$50,362	$23,852	$ 9,896	$ 14,404	$2,210
Advance payment guarantee (2)	12,769	7,642	4,389	330	408
Tender bonds (3)	5,176	5,176	—	—	—
Bid bonds (3)	1,319	1,319	—	—	—
Letters of Credit (4)	4,034	4,034	—	—	
Other	949	822	—	127	—
	$74,609	$42,845	$ 14,285	$ 14,861	$2,618

(1) At December 31, 2017, the Company had provided cash collateral amounting to $4,407 for certain of these items. That collateral is reflected in restricted cash on the consolidated balance sheet. See Note 16 to our consolidated financial statements for further information regarding these arrangements.
(2) Represents guarantee of service performance bonds and advance payments through international banks required under certain international contracts.
(3) Represents tender and bid bonds issued through international banks as part of the bidding process for new work to assure our client that we will enter into the service contract.
(4) Primarily represents the indemnity escrow required in conjunction with the sale of the Claims Group.

Contractual Obligations

The following chart provides information with respect to contractual obligations:

	Total	2018	2019-2020	2021-2022	2023 and later
Long-term debt obligations (1)	$38,674	$3,406	$ 2,028	$ 4,596	$28,644
Interest expense on notes payable (2)	18,036	3,814	6,946	6,076	1,200
Operating lease obligations (3)	32,181	6,981	9,655	6,036	9,509

$88,891	$14,201	$ 18,629	$ 16,708	$39,353

(1) Excludes the amortization of deferred financing costs.
(2) Estimated using the interest rates in effect at December 31, 2017.
(3) Represents future minimum rental commitments under non-cancelable leases. We expect to fund these commitments with existing cash and cash flow from operations.

The liability for unrecognized tax benefits is not included in the table above due to the subjective nature of the costs and timing of anticipated payments.

Subsequent Event

Change in CEO

On August 17, 2018, the Board of Directors appointed Raouf S. Ghali as Chief Executive Officer of the Company effective as of October 1, 2018. In addition to his role as Chief Executive Officer, Mr. Ghali will continue to serve as a member of the Board of Directors.

Payment Agreement of Assessed Tax Liability (Libya)

The Company had an agreement with ODAC in which the ODAC would pay the Libyan government 5,599 LYD (approximately $4,600) for assessed taxes that the Company owed and in return, the Company would reduce the amount ODAC owed the Company by an equal amount. Notice was received subsequent to year end that ODAC had made the agreed upon payment.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks primarily related to foreign currency exchange rates and interest rates.

Foreign Exchange Rates

We are exposed to foreign currency exchange rate risk resulting from our operations outside of the U.S., which are denominated, primarily in Euros, U.A.E. dirhams, Qatari riyal, Omani rial, Saudi riyal, Brazilian real, Polish zloty as well as other currencies. We do not comprehensively hedge our exposure to currency rate changes; however, we limit exposure to foreign currency fluctuations in most of our contracts through provisions that require client payments to be in currencies corresponding to the currency in which costs are incurred. We currently do not hedge foreign currency cash flows for contract work performed, although we may do so in the future. The functional currency of our significant foreign operations is the respective local currency.

Interest Rates

Our borrowings under our term loan and revolving credit facilities with Société Générale and other U.S. Loan Parties, along with our other revolving credit facilities, bear interest at variable rates. If market interest rates had changed by 100 basis points, our interest expense and cash flows for the twelve months ended December 31, 2017 would have changed by approximately $742.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Hill International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hill International, Inc. and Subsidiaries (the “Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and the financial statement schedule identified in Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated August 31, 2018 disclaimed an opinion on the effectiveness of the Company’s internal control over financial reporting because of a scope limitation.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ EisnerAmper LLP

We have served as the Company’s auditor since 2010.

EISNERAMPER LLP

Iselin, New Jersey
August 31, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Hill International, Inc.

Disclaimer of Opinion on Internal Control over Financial Reporting

We were engaged to audit Hill International, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As described in Item 9 of the Company's Annual Report on Form 10-K, since we were engaged to audit the Company's internal control over financial reporting subsequent to December 31, 2017 and we were unable to apply other procedures to obtain sufficient evidence about the effectiveness of the Company's internal control over financial reporting, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Company's internal control over financial reporting.

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Item 9A of the Company's Annual Report on Form 10-K describes the material weaknesses that have been identified and included in management's assessment. These material weaknesses were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2017 financial statements, and this report does not affect our report dated August 31, 2018, on those financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of Hill International, Inc. and Subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and the financial statement schedule identified in Item 15, and our report dated August 31, 2018 expressed an unqualified opinion.

Basis for Disclaimer of Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

Definition and Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
August 31, 2018

33

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2017	2016
Assets		
Cash and cash equivalents	$21,353	$25,637
Cash - restricted	4,407	4,312
Accounts receivable, less allowance for doubtful accounts of $72,850 and $71,082	156,860	164,844
Accounts receivable - affiliates	4,599	5,712
Prepaid expenses and other current assets	9,053	7,751
Income taxes receivable	2,139	3,554
Current assets held for sale	—	54,651
Total current assets	198,411	266,461
Property and equipment, net	12,004	16,389
Cash - restricted, net of current portion	1,160	313
Retainage receivable	13,095	17,225
Acquired intangibles, net	3,908	6,006
Goodwill	52,658	50,665
Investments	3,639	3,501
Deferred income tax assets	4,052	3,200
Other assets	4,368	4,224
Assets held for sale	—	32,091
Total assets	$293,295	$400,075
Liabilities and Stockholders' Equity		
Current maturities of notes payable and long-term debt	$3,241	$1,983
Accounts payable and accrued expenses	83,221	85,680
Income taxes payable	16,494	4,874
Current portion of deferred revenue	13,945	12,943
Other current liabilities	8,973	8,157
Current liabilities held for sale	—	25,888
Total current liabilities	125,874	139,525
Notes payable and long-term debt, net of current maturities	34,541	142,120
Retainage payable	599	961
Deferred income tax liabilities	933	560
Deferred revenue	7,212	22,804
Other liabilities	13,466	12,666
Liabilities held for sale	—	5,087
Total liabilities	182,625	323,723
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 1,000 shares authorized, none issued	—	—
Common stock, $0.0001 par value; 100,000 shares authorized, 59,389 shares and 58,835 shares issued at December 31, 2017 and 2016, respectively	6	6
Additional paid-in capital	197,104	190,353
Accumulated deficit	(53,983)	(81,349)
Accumulated other comprehensive loss	(4,011)	(4,611)
Treasury stock of 6,977 shares at December 31, 2017 and 2016	(30,041)	(30,041)
Hill International, Inc. share of equity	109,075	74,358

Noncontrolling interests	1,595	1,994
Total equity	110,670	76,352
Total liabilities and stockholders’ equity	$293,295	$400,075

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years Ended December 31,		
	2017	2016	2015
Revenue	$483,736	$516,012	$544,760
Direct expenses	336,883	358,943	373,544
Gross profit	146,853	157,069	171,216
Selling, general and administrative expenses	151,186	170,682	172,649
Share of (profit) loss of equity method affiliates	(3,777)	37	237
Operating loss	(556)	(13,650)	(1,670)
Interest and related financing fees, net	3,031	2,355	3,611
Loss before income taxes	(3,587)	(16,005)	(5,281)
Income tax expense	3,103	5,955	5,833
Loss from continuing operations	(6,690)	(21,960)	(11,114)
Discontinued operations:			
Loss from discontinued operations	(14,479)	(11,776)	(2,564)
Gain on disposal of discontinued operations, net of tax	48,713	—	—
Total earnings (loss) from discontinued operations	34,234	(11,776)	(2,564)
Net earnings (loss)	27,544	(33,736)	(13,678)
Less: net earnings - noncontrolling interests	178	76	823
Net earnings (loss) attributable to Hill International, Inc.	$27,366	$(33,812)	$(14,501)
Basic loss per common share from continuing operations - Hill International Inc.	$(0.13)	$(0.43)	$(0.24)
Basic loss per common share from discontinued operations	(0.28)	(0.22)	(0.05)
Basic gain on disposal of discontinued operation, net of tax	0.93	—	—
Basic earnings (loss) per common share - Hill International, Inc.	$0.52	$(0.65)	$(0.29)
Basic weighted average common shares outstanding	52,175	51,724	50,874
Diluted loss per common share from continuing operations - Hill International Inc.	$(0.13)	$(0.43)	$(0.24)
Diluted loss per common share from discontinued operations	(0.28)	(0.22)	(0.05)
Diluted gain on disposal of discontinued operation, net of tax	0.93	—	—
Diluted earnings (loss) per common share - Hill International, Inc.	$0.52	$(0.65)	$(0.29)
Diluted weighted average common shares outstanding	52,175	51,724	50,874

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Years Ended December 31,		
	2017	2016	2015
Net earnings (loss)	$27,544	$(33,736)	$(13,678)
Foreign currency translation adjustments	1,125	5,062	(2,202)
Other, net of tax	—	585	(226)
Comprehensive earnings (loss)	28,669	(28,089)	(16,106)
Comprehensive earnings attributable to noncontrolling interests	703	(255)	(2,628)
Comprehensive earnings (loss) attributable to Hill International, Inc.	$27,966	$(27,834)	$(13,478)

See accompanying notes to consolidated financial statements.

36

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2017, 2016, and 2015
(In thousands)

	Common Stock		Additional Paid-in	Retained Earnings	Accumulated Other Comprehensive	Treasury Stock		Hill Share of Stockholders'	Non-controlling	Total Stockholders'
	Shares	Amount	Capital	(Deficit)	(Loss)	Shares	Amount	Equity	Interests	Equity
Balance - December 31, 2014	56,920	$ 6	$ 179,912	$ (33,292)	$ (11,612)	6,546	$ (28,304)	$ 106,710	$ 9,944	$ 116,654
Net (loss) earnings	—	—	—	(14,501)	—	—	—	(14,501)	823	(13,678)
Other comprehensive earnings (loss)	—	—	—	—	1,023	—	—	1,023	(3,451)	(2,428)
Stock issued to Board of Directors	25	—	115	—	—	—	—	115	—	115
Stock-based compensation expense	—	—	2,983	—	—	—	—	2,983	—	2,983
Stock issued under employee stock purchase plan	43	—	126	—	—	—	—	126		