

Hudson Global, Inc.
Form 10-Q
November 10, 2014

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014
or

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

For the transition period from _____ to _____

Commission file number: 000-50129

HUDSON GLOBAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	59-3547281 (IRS Employer Identification No.)
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560 Lexington Avenue, New York, New York 10022
(Address of principal executive offices) (Zip Code)
(212) 351-7300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding on October 31, 2014
Common Stock - \$0.001 par value	33,112,515

HUDSON GLOBAL, INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUDSON GLOBAL, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 AND OTHER COMPREHENSIVE INCOME (LOSS)
 (in thousands, except per share amounts)
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue	\$ 149,278	\$ 139,287	\$ 444,515	\$ 422,573
Direct costs	93,591	88,796	274,927	265,982
Gross margin	55,687	50,491	169,588	156,591
Operating expenses:				
Selling, general and administrative expenses	58,539	54,614	174,672	169,039
Depreciation and amortization	1,467	1,408	4,242	4,461
Business reorganization expenses	794	594	2,026	3,803
Operating income (loss)	(5,113)	(6,125)	(11,352)	(20,712)
Non-operating income (expense):				
Interest income (expense), net	(192)	(146)	(533)	(422)
Other income (expense), net	176	294	(325)	475
Income (loss) from continuing operations before provision for income taxes	(5,129)	(5,977)	(12,210)	(20,659)
Provision for (benefit from) income taxes	(558)	(392)	37	(775)
Income (loss) from continuing operations	(4,571)	(5,585)	(12,247)	(19,884)
Income (loss) from discontinued operations, net of income taxes	(2,448)	538	(3,690)	785
Net income (loss)	\$(7,019)	\$(5,047)	\$(15,937)	\$(19,099)
Earnings (loss) per share:				
Basic and diluted				
Income (loss) from continuing operations	\$(0.14)	\$(0.17)	\$(0.38)	\$(0.61)
Income (loss) from discontinued operations	(0.07)	0.02	(0.11)	0.02
Net income (loss)	\$(0.21)	\$(0.15)	\$(0.49)	\$(0.59)
Weighted-average shares outstanding:				
Basic	32,910	32,600	32,769	32,468
Diluted	32,910	32,600	32,769	32,468
Comprehensive income (loss):				
Net income (loss)	\$(7,019)	\$(5,047)	\$(15,937)	\$(19,099)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of income taxes	(3,386)	2,259	(1,356)	(3,127)
Pension liability adjustment	5	16	(20)	60
Total other comprehensive income (loss), net of income taxes	(3,381)	2,275	(1,376)	(3,067)
Comprehensive income (loss)	\$(10,400)	\$(2,772)	\$(17,313)	\$(22,166)

See accompanying notes to condensed consolidated financial statements.

HUDSON GLOBAL, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except per share amounts)
 (Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$18,753	\$37,378
Accounts receivable, less allowance for doubtful accounts of \$1,065 and \$1,041, respectively	83,116	76,467
Prepaid and other	8,753	7,960
Current assets of discontinued operations	13,310	12,518
Total current assets	123,932	134,323
Property and equipment, net	12,031	11,989
Deferred tax assets, non-current	6,134	7,124
Other assets, non-current	4,927	5,393
Total assets	\$147,024	\$158,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$5,888	\$8,899
Accrued expenses and other current liabilities	52,347	51,917
Short-term borrowings	8,217	476
Accrued business reorganization expenses	2,430	3,275
Current liabilities of discontinued operations	5,762	5,251
Total current liabilities	74,644	69,818
Deferred rent and tenant improvement contributions	6,328	5,333
Income tax payable, non-current	2,468	3,872
Other non-current liabilities	5,297	5,421
Total liabilities	88,737	84,444
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 10,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.001 par value, 100,000 shares authorized; issued 33,240 and 33,543 shares, respectively	34	34
Additional paid-in capital	476,271	475,461
Accumulated deficit	(433,359)	(417,422)
Accumulated other comprehensive income, net of applicable tax	15,797	17,173
Treasury stock, 127 and 211 shares, respectively, at cost	(456)	(861)
Total stockholders' equity	58,287	74,385
Total liabilities and stockholders' equity	\$147,024	\$158,829

See accompanying notes to condensed consolidated financial statements.

HUDSON GLOBAL, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands)
 (Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$(15,937	) \$(19,099
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,512	4,833
Provision for (recovery of) doubtful accounts	127	44
Provision for (benefit from) deferred income taxes	(11	) (913
Stock-based compensation	907	1,953
Other, net	318	444
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(10,736	) 6,950
Decrease (increase) in prepaid and other assets	1,032	367
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(681	) 3,749
Increase (decrease) in accrued business reorganization expenses	(235	) 98
Net cash provided by (used in) operating activities	(20,704	) (1,574
Cash flows from investing activities:		
Capital expenditures	(4,289	) (2,165
Net cash provided by (used in) investing activities	(4,289	) (2,165
Cash flows from financing activities:		
Borrowings under credit agreements	85,642	13,474
Repayments under credit agreements	(77,692	) (13,492
Payment of deferred financing costs	(454) —
Repayment of capital lease obligations	(361	) (347
Purchase of restricted stock from employees	(122	) (480
Net cash provided by (used in) financing activities	7,013	(845
Effect of exchange rates on cash and cash equivalents	(645	) (832
Net increase (decrease) in cash and cash equivalents	(18,625	) (5,416
Cash and cash equivalents, beginning of the period	37,378	38,653
Cash and cash equivalents, end of the period	\$18,753	\$33,237
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$344	\$185
Cash payments during the period for income taxes, net of refunds	\$933	\$666

See accompanying notes to condensed consolidated financial statements.

HUDSON GLOBAL, INC.
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 (in thousands)
 (Unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock	Total
	Shares	Value					
Balance at December 31, 2013	33,332	\$34	\$475,461	\$(417,422)	\$ 17,173	\$(861)	\$74,385
Net income (loss)	—	—	—	(15,937)	—	—	(15,937)
Other comprehensive income (loss), currency translation adjustments, net of applicable tax	—	—	—	—	(1,356)	—	(1,356)
Other comprehensive income (loss), pension liability adjustment	—	—	—	—	—	—	—