

Hudson Global, Inc.
Form 10-Q
July 31, 2012

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 June 30, 2012
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.)

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

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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 June 30, 2012
Common Stock - \$0.001 par value	33,219,315

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		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Revenue	\$204,838	\$247,378	\$405,428	\$465,917
Direct costs	127,770	151,911	255,152	289,252
Gross margin	77,068	95,467	150,276	176,665
Operating expenses:				
Selling, general and administrative expenses	73,535	87,405	147,998	166,213
Depreciation and amortization	1,610	1,636	3,115	3,213
Business reorganization expenses	5,090	396	6,030	747
Operating income (loss)	(3,167	) 6,030	(6,867	) 6,492
Non-operating income (expense):				
Interest income (expense), net	(189	) (375	) (349	) (581
Other income (expense), net	(369	) (5	) (375	) 482
Income (loss) before provision for income taxes	(3,725	) 5,650	(7,591	) 6,393
Provision for (benefit from) income taxes	(4,119	) 1,426	(4,765	) 2,175
Net income (loss)	\$394	\$4,224	\$(2,826	) \$4,218
Earnings (loss) per share:				
Basic	\$0.01	\$0.13	\$(0.09	) \$0.13
Diluted	\$0.01	\$0.13	\$(0.09	) \$0.13
Weighted-average shares outstanding:				
Basic	32,122	31,593	31,956	31,501
Diluted	32,486	32,039	31,956	31,939
Comprehensive income (loss):				
Net income (loss)	\$394	\$4,224	\$(2,826	) \$4,218
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of income taxes	(1,351	) 1,230	439	3,275
Total other comprehensive income (loss), net of income taxes	(1,351	) 1,230	439	3,275
Comprehensive income (loss)	\$(957	) \$5,454	\$(2,387	) \$7,493

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$28,935	\$37,302
Accounts receivable, less allowance for doubtful accounts of \$1,613 and \$1,772, respectively	126,026	131,489
Prepaid and other	13,394	13,132
Total current assets	168,355	181,923
Property and equipment, net	21,189	17,838
Deferred tax assets, non-current	11,499	8,628
Other assets	5,608	8,157
Total assets	\$206,651	\$216,546
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$10,995	\$12,025
Accrued expenses and other current liabilities	63,724	74,248
Short-term borrowings	1,460	3,384
Accrued business reorganization expenses	4,105	858
Total current liabilities	80,284	90,515
Other non-current liabilities	6,131	6,388
Deferred rent and tenant improvement contributions	8,666	4,479
Income tax payable, non-current	4,581	7,807
Total liabilities	99,662	109,189
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 33,280 and 32,776 shares, respectively	33	33
Additional paid-in capital	472,674	470,786
Accumulated deficit	(400,116)	(397,290)
Accumulated other comprehensive income—translation adjustments	34,694	34,255
Treasury stock, 61 and 79 shares, respectively, at cost	(296)	(427)
Total stockholders' equity	106,989	107,357
Total liabilities and stockholders' equity	\$206,651	\$216,546

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$(2,826	) \$4,218
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,116	3,213
Provision for (recovery of) doubtful accounts	63	225
Provision for (benefit from) deferred income taxes	(2,815	) (260
Stock-based compensation	1,876	1,826
Other, net	242	(55
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	5,655	(25,820
Decrease (increase) in prepaid and other assets	2,225	(618
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(10,244	) 18,053
Increase (decrease) in accrued business reorganization expenses	3,665	(759
Net cash provided by (used in) operating activities	957	23
Cash flows from investing activities:		
Capital expenditures	(6,874	) (3,348
Proceeds from sale of assets	—	247
Net cash provided by (used in) investing activities	(6,874	) (3,101
Cash flows from financing activities:		
Borrowings under credit agreements	68,789	96,501
Repayments under credit agreements	(70,594	) (88,407
Repayment of capital lease obligations	(222) —
Purchase of restricted stock from employees	(523	) (291
Net cash provided by (used in) financing activities	(2,550	) 7,803
Effect of exchange rates on cash and cash equivalents	100	685
Net increase (decrease) in cash and cash equivalents	(8,367	) 5,410
Cash and cash equivalents, beginning of the period	37,302	29,523
Cash and cash equivalents, end of the period	\$28,935	\$34,933
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$192	\$471
Cash payments during the period for income taxes, net of refunds	\$2,046	\$2,674

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, 2011	32,697	\$33	\$470,786	\$(397,290)	\$ 34,255	\$(427)	\$107,357
Net income (loss)	—	—	—	(2,826)	—	—	(2,826)
Other comprehensive income (loss), translation adjustments	—	—	—	—	439	—	439
Purchase of restricted stock from employees	(107)	—	—	—	—	(523)	(523)
Issuance of shares for 401(k) plan contribution	124	—	12	—	—	—	—