

HUDSON HIGHLAND GROUP INC

Form 10-Q

July 31, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2009

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 HIGHLAND GROUP, INC.**

(Exact name of registrant as specified in its charter)

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**DELAWARE** **59-3547281**  
(State or other jurisdiction of **(IRS Employer**  
  
incorporation or organization) **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.

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, 2009
Common Stock - \$0.001 par value	26,586,535

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****HUDSON HIGHLAND GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share amounts)****(unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Revenue	\$ 173,848	\$ 303,128	\$ 338,539	\$ 596,159
Direct costs	108,964	168,725	211,651	338,579
Gross margin	64,884	134,403	126,888	257,580
Operating expenses:				
Selling, general and administrative expenses	69,329	123,002	141,030	239,398
Depreciation and amortization	2,840	3,537	6,628	7,362
Business reorganization and integration expenses	3,562	1,024	9,401	2,216
Goodwill and other impairment charges	1,549		1,549	
Operating (loss) income	(12,396)	6,840	(31,720)	8,604
Other (expense) income :				
Interest, net	(182)	204	(372)	558
Other, net	54	1,095	674	1,358
(Loss) income from continuing operations before provision for income taxes	(12,524)	8,139	(31,418)	10,520
Provision (benefit) for income taxes	2,975	6,281	(1,085)	8,060
(Loss) income from continuing operations	(15,499)	1,858	(30,333)	2,460
(Loss) income from discontinued operations, net of income taxes	(2,272)	3,098	7,003	3,860
Net (loss) income	\$ (17,771)	\$ 4,956	\$ (23,330)	\$ 6,320
<b>Earnings (loss) per share:</b>				
Basic				
(Loss) income from continuing operations	\$ (0.59)	\$ 0.07	\$ (1.18)	\$ 0.10
(Loss) income from discontinued operations	(0.09)	0.13	0.27	0.15
Net (loss) income	\$ (0.68)	\$ 0.20	\$ (0.91)	\$ 0.25
Diluted				
(Loss) income from continuing operations	\$ (0.59)	\$ 0.07	\$ (1.18)	\$ 0.10
(Loss) income from discontinued operations	(0.09)	0.12	0.27	0.15
Net (loss) income	\$ (0.68)	\$ 0.19	\$ (0.91)	\$ 0.25
Basic weighted average shares outstanding:	26,311	24,984	25,744	25,135

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Diluted weighted average shares outstanding:	26,311	25,512	25,744	25,616
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**See accompanying notes to condensed consolidated financial statements.**

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**HUDSON HIGHLAND GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share amount)

(unaudited)

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 47,238	\$ 49,209
Accounts receivable, less allowance for doubtful accounts of \$2,793 and \$3,394, respectively	104,794	127,169
Prepaid and other	15,438	15,411
Current assets of discontinued operations	831	2,360
<b>Total current assets</b>	<b>168,301</b>	<b>194,149</b>
Intangibles, net	971	2,498
Property and equipment, net	21,128	24,379
Other assets	13,152	9,927
<b>Total assets</b>	<b>\$ 203,552</b>	<b>\$ 230,953</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 12,984	\$ 15,693
Accrued expenses and other current liabilities	60,716	76,447
Short-term borrowings	11,348	5,307
Accrued business reorganization expenses	6,955	5,724
Current liabilities of discontinued operations	1,185	1,410
<b>Total current liabilities</b>	<b>93,188</b>	<b>104,581</b>
Other non-current liabilities	19,157	16,904
Accrued business reorganization expenses, non-current	819	1,476
<b>Total liabilities</b>	<b>113,164</b>	<b>122,961</b>
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 26,694 and 26,494 shares, respectively	27	26
Additional paid-in capital	445,123	450,739
Accumulated deficit	(386,235)	(362,905)
Accumulated other comprehensive income translation adjustments	31,756	27,054
Treasury stock, 107 and 1,140 shares, respectively, at cost	(283)	(6,922)
<b>Total stockholders' equity</b>	<b>90,388</b>	<b>107,992</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 203,552</b>	<b>\$ 230,953</b>

See accompanying notes to condensed consolidated financial statements.



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	<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (23,330)	\$ 6,320
<b>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</b>		
Depreciation and amortization	6,715	7,547
Goodwill and other impairment charges	1,549	
Recovery of doubtful accounts	(195)	(628)
Benefit from deferred income taxes	(3,002)	(293)
Stock-based compensation	555	2,920
Net gain on disposal of assets	(11,625)	(5,996)
<b>Changes in assets and liabilities, net of effects of business acquisitions:</b>		
Decrease in accounts receivable	29,529	10,642
Decrease (increase) in other assets	1,064	(1,636)
Decrease in accounts payable, accrued expenses and other liabilities	(21,831)	(13,956)
Increase (decrease) in accrued business reorganization expenses	632	(609)
<b>Net cash (used in) provided by operating activities</b>	<b>(19,939)</b>	<b>4,311</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(1,211)	(6,290)
Proceeds from the sale of assets	11,625	20,615
Change in restricted cash	515	
Payments for acquisitions, net of cash acquired		(5,473)
<b>Net cash provided by investing activities</b>	<b>10,929</b>	<b>8,852</b>
<b>Cash flows from financing activities:</b>		
Borrowings under credit facility and other short term financing	50,893	99,503
Repayments under credit facility and other short term financing	(44,852)	(98,569)
Net payments on current and long-term debt		(119)
Issuance of common stock Long Term Incentive Plan option exercises		372
Issuance of common stock employee stock purchase plans		1,358
Purchase of treasury stock, including fees	(703)	(5,286)
Purchase of restricted stock from employees	(55)	
<b>Net cash provided by (used in) financing activities</b>	<b>5,283</b>	<b>(2,741)</b>
Effect of exchange rates on cash and cash equivalents	1,756	1,762
Net (decrease) increase in cash and cash equivalents	(1,971)	12,184
Cash and cash equivalents, beginning of year	49,209	39,245
<b>Cash and cash equivalents, end of year</b>	<b>\$ 47,238</b>	<b>\$ 51,429</b>

Supplemental disclosures of cash flow information:



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Cash paid during the period for interest	\$	515	\$	749
Cash (refund), net of taxes paid during the period for income taxes	\$	(781)	\$	9,471