

HUDSON HIGHLAND GROUP INC
Form 10-Q
October 29, 2010

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, 2010

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)

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

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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 September 30, 2010
Common Stock - \$0.001 par value	32,204,758

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUDSON HIGHLAND GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Month Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue	\$ 200,394	\$ 169,647	\$ 575,481	\$ 508,645
Direct costs	125,403	105,457	359,833	317,567
Gross margin	74,991	64,190	215,648	191,078
Operating expenses:				
Selling, general and administrative expenses	74,378	67,412	214,121	208,442
Depreciation and amortization	1,981	2,741	6,453	9,369
Business reorganization and integration expenses	41	2,878	705	12,279
Goodwill and other impairment charges	-	-	-	1,549
Operating loss	(1,409)	(8,841)	(5,631)	(40,561)
Other (expense) income :				
Interest, net	(497)	(96)	(972)	(469)
Other, net	1,184	99	2,687	773
Fee for early extinguishment of credit facility	(563)	-	(563)	-
Loss from continuing operations before provision for income taxes	(1,285)	(8,838)	(4,479)	(40,257)
Provision for (benefit from) income taxes	599	(1,215)	1,366	(2,300)
Loss from continuing operations	(1,884)	(7,623)	(5,845)	(37,957)
(Loss) income from discontinued operations, net of income taxes	(14)	770	(31)	7,773
Net loss	\$ (1,898)	\$ (6,853)	\$ (5,876)	\$ (30,184)
(Loss) earnings per share:				
Basic and diluted				
Loss from continuing operations	\$ (0.06)	\$ (0.29)	\$ (0.20)	\$ (1.47)
(Loss) income from discontinued operations	(0.00)	0.03	(0.00)	0.30
Net loss	\$ (0.06)	\$ (0.26)	\$ (0.20)	\$ (1.17)
Basic and diluted weighted average shares outstanding:	31,225	26,311	29,493	25,744

See accompanying notes to condensed consolidated financial statements.

HUDSON HIGHLAND GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,174	\$ 36,064
Accounts receivable, less allowance for doubtful accounts of \$2,408 and \$2,423, respectively	129,116	98,994
Prepaid and other	17,463	13,308
Total current assets	180,753	148,366
Property and equipment, net	15,360	19,433
Other assets	17,975	14,145
Total assets	\$ 214,088	\$ 181,944
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,567	\$ 12,811
Accrued expenses and other current liabilities	75,000	54,103
Short-term borrowings	13,871	10,456
Accrued business reorganization expenses	2,398	8,784
Total current liabilities	104,836	86,154
Other non-current liabilities	9,260	10,768
Income tax payable, non-current	8,476	8,415
Accrued business reorganization expenses, non-current	627	347
Total liabilities	123,199	105,684
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 32,214 and 26,836 shares, respectively	32	27
Additional paid-in capital	466,178	445,541
Accumulated deficit	(409,390)	(403,514)
Accumulated other comprehensive income—translation adjustments	34,107	34,509
Treasury stock, 9 and 114 shares, respectively, at cost	(38)	(303)
Total stockholders' equity	90,889	76,260
Total liabilities and stockholders' equity	\$ 214,088	\$ 181,944

See accompanying notes to condensed consolidated financial statements.

HUDSON HIGHLAND GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (5,876)	\$ (30,184)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,453	9,456
Goodwill and other impairment charges	-	1,549
Provision (recovery) of doubtful accounts	421	(270)
Benefit from deferred income taxes	(296)	(3,813)
Stock-based compensation	1,320	819
Net gain on disposal of assets	-	(11,625)
Fee for early extinguishment of credit facility	563	-
Other, net	(1,706)	-
Changes in assets and liabilities, net of effects of business acquisitions:		
(Increase) decrease in accounts receivable	(29,373)	40,222
(Increase) decrease in other assets	(4,163)	2,880
Increase (decrease) in accounts payable, accrued expenses and other liabilities	18,613	(29,063)
Decrease in accrued business reorganization expenses	(6,104)	(541)
Net cash used in operating activities	(20,148)	(20,570)
Cash flows from investing activities:		
Capital expenditures	(2,394)	(1,573)
Proceeds from sale of assets	81	11,625
Payment received on note from asset sale	3,500	-
Change in restricted cash	(1,719)	514
Payment for acquisitions	(1,856)	(1,669)
Net cash (used in) provided by investing activities	(2,388)	8,897
Cash flows from financing activities:		
Borrowings under credit facility and other short term financing	60,216	51,985
Repayments under credit facility and other short term financing	(56,885)	(46,836)
Payment for early extinguishment of credit facility	(563)	