

Hudson Global, Inc.
Form DEFA14A
May 01, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Hudson Global, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 1, 2014

HUDSON GLOBAL, INC.

(Exact name of registrant as specified in charter)

| | | |
|-------------------------------------|---------------------|----------------------------|
| Delaware | 000-50129 | 59-3547281 |
| (State or other jurisdiction | (Commission | (I.R.S. Employer |
| of incorporation) | File Number) | Identification No.) |

560 Lexington Avenue

New York, NY 10022

(Address of Principal Executive Offices)

Registrant's telephone number, including area code (212) 351-7300

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On May 1, 2014, Hudson Global, Inc. issued a press release announcing its financial results for the three months ended March 31, 2014. A copy of such press release is furnished as Exhibit 99.1 to this Current Report.

Included in Exhibit 99.1 are references to “liquidity.” The company believes that this non-GAAP measure provides investors useful information about its combined available cash and borrowing capacity.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements.

None.

(b) Pro Forma Financial Information.

None.

(c) Shell Company Transactions

None.

(d) Exhibits

99.1 Press Release of Hudson Global, Inc. issued on May 1, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

HUDSON GLOBAL, INC.
(Registrant)

By: /s/ STEPHEN A. NOLAN
Stephen A. Nolan
Executive Vice President and Chief Financial Officer

Dated: May 1, 2014

Hudson Global, Inc.

Current Report on Form 8-K

Exhibit Index

| Exhibit Number | Description |
|---------------------------|---|
| 99.1 | Press Release of Hudson Global, Inc. issued on May 1, 2014. |

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For Immediate Release Contact: David F. Kirby
Hudson
212-351-7216
david.kirby@hudson.com

Hudson Global Reports 2014 First Quarter Results

Significant Improvements in Gross Margin and Adjusted EBITDA

Demonstrates Traction of Ongoing Transformation

Accelerating Strategic Actions to Focus on Core Business and Improve Efficiency

NEW YORK, NY - May 1, 2014 - Hudson Global, Inc. (Nasdaq: HSON), a leading global talent solutions company, today announced financial results for the first quarter ended March 31, 2014.

2014 First Quarter Summary

Revenue of \$161.9 million, down 2.3 percent from the first quarter of 2013, or 1.4 percent in constant currency. Sequentially, from the fourth quarter of 2013 to the first quarter of 2014 revenue increased 1.5 percent or 1.4 percent in constant currency, as compared with a decline of 10.1 percent for the same period in 2013.

Gross margin of \$57.5 million, an increase of 1.5 percent from the first quarter of 2013, or 2.3 percent in constant currency. Sequentially, gross margin improved 1.1 percent in reported and constant currency, as compared with a decrease of 15.3 percent for the same period in 2013.

Adjusted EBITDA* loss of \$2.1 million, as compared with a loss of \$4.9 million in the same period last year. Sequentially, adjusted EBITDA loss increased \$0.1 million or 4.6 percent and 12.5 percent in constant currency.

Restructuring charges of \$0.1 million in the first quarter of 2014, compared with \$2.0 million in the first quarter of 2013 and \$2.8 million in the fourth quarter of 2013.

Net loss of \$4.5 million, or \$0.14 per basic and diluted share, as compared with net loss of \$8.2 million, or \$0.25 per basic and diluted share in the same period last year. Sequentially, net loss was reduced by 59.8 percent.

** Adjusted EBITDA is defined in the segment tables at the end of this release.*

“The progress we are making in our transformation was even more evident in the first quarter as we again delivered sequential improvements and achieved year-over-year quarterly gross margin growth,” said Manolo Marquez, chairman and chief executive officer at Hudson. “As we execute our plans we will continue to take further actions to sharpen our focus, invest in our core and build strong momentum in our performance.”

Stephen Nolan, chief financial officer at Hudson said, “We continue to be focused on disciplined execution and investing in our fee earner headcount while aggressively seeking efficiencies and cost savings in our expense base to achieve our goal of positive quarterly adjusted EBITDA during 2014 and deliver sustained growth, profitability and value creation.”

Strategic Actions

To accelerate the implementation of the company's strategy, we have engaged in the following initiatives:

- Investing in the core businesses and practices that present the greatest potential for profitable growth
- Further improve the company's cost structure and efficiency of its support functions and infrastructure
 - Build and differentiate our brand through our unique talent solutions offerings

On April 29, 2014, the company's board of directors authorized management to explore opportunities to divest the Legal eDiscovery business. The purpose of this action is to refocus the company's core businesses that are expected to maximize stockholder value. On April 30, 2014, the company's management, under the aforementioned authorization by its board of directors, engaged Duff & Phelps to assist the company in exploring a possible sale.

In addition, the company has engaged AlixPartners, LLP, a premier consulting firm in the areas of organization design and operational improvement, to assist management in a comprehensive assessment of the company's organization and operations. The engagement with AlixPartners is focused on identifying opportunities to better align the organization model to support future growth, and to identify actions that can improve operating efficiencies and effectiveness.

Regional Highlights

Americas

Americas' gross margin decreased 18 percent in the first quarter as compared with the same period in 2013. RPO continued to deliver strong results and, with 53 percent gross margin growth in the first quarter, has become the largest practice in the Americas on a gross margin basis. This growth was offset by declines in Legal eDiscovery and IT of 39 percent and 10 percent, respectively. Sequential gross margin in the Americas decreased 14 percent, as compared with a decrease of 13 percent for the same period in 2013. The sequential decline was driven primarily by gross margin reductions in Legal eDiscovery and IT of 28 percent and 7 percent, respectively. This was partially offset by 18 percent sequential gross margin growth in RPO. Adjusted EBITDA loss was \$0.6 million for the first quarter, or 2.4 percent of revenue, compared with a \$0.4 million loss, or 1.0 percent of revenue for the same quarter a year ago

and adjusted EBITDA of \$1.1 million in the fourth quarter of 2013.

Asia Pacific

Asia Pacific's gross margin increased 6 percent in constant currency in the first quarter as compared with the same period in 2013. Growth in the region was driven by strength in talent management, RPO and permanent recruitment in China. Talent management delivered 35 percent growth in Asia Pacific, led by large assessment and career transition projects in Australia. RPO experienced increasing demand from both new and existing clients, up 14 percent year-over-year in constant currency. Sequential gross margin also increased 6 percent in the region, as compared with a decrease of 18 percent for the same period in 2013. Sequential growth was driven by strength in Australia recruitment, as well as 28 percent growth in talent management in Australia and 24 percent growth in RPO. The region delivered adjusted EBITDA of \$0.1 million, or 0.2 percent of revenue, as compared with adjusted EBITDA loss of \$0.4 million, or 0.8 percent of revenue in the first quarter of 2013 and adjusted EBITDA loss of \$1.3 million in the fourth quarter of 2013.

Europe

Europe's gross margin increased 5 percent in constant currency compared with the first quarter of 2013. Against prior year, gross margin growth was driven primarily by permanent recruitment in the UK and France, growing 15 percent and 17 percent in constant currency, respectively. Talent management also grew in the quarter, with gross margin up 6 percent compared with prior year, led by Belgium and the UK. Sequentially, gross margin increased 2 percent in constant currency as compared with a 13 percent sequential decline for the same period a year ago. Sequential gross margin growth was driven by 18 percent temporary contracting growth in the UK and 7 percent permanent recruitment growth in Continental Europe, led by increases in France and Belgium. Europe delivered adjusted EBITDA of \$2.4 million, or 3.0 percent of revenue, as compared with adjusted EBITDA loss of \$0.1 million, or 0.2 percent of revenue for the quarter a year ago, and positive adjusted EBITDA of \$1.1 million in the fourth quarter of 2013.

Liquidity and Capital Resources

The company ended the first quarter of 2014 with \$57.9 million in liquidity, composed of \$22.1 million in cash and \$35.8 million in availability under its credit facilities. This includes \$15.3 million of availability from the RBS facility, which will expire in August 2014 and which the company expects to replace with a new lender. This compares with \$37.4 million in cash and \$29.8 million in availability under its credit facilities at the end of the fourth quarter of 2013, and \$32.5 million in cash and \$37.0 million in availability under its credit facilities at the end of the first quarter of 2013. The company used \$13.6 million in cash flow from operations during the quarter, of which \$12.4 million was due to increased accounts receivable, and had \$0.5 million in outstanding borrowings at the end of the first quarter.

Business Outlook

Given current economic conditions, the company expects second quarter 2014 revenue of between \$165 million and \$175 million and adjusted EBITDA of between negative \$1 million and positive \$1 million, excluding \$1 million of proxy contest and strategic action costs, at prevailing exchange rates. In the second quarter of 2013, revenue was \$171.4 million and adjusted EBITDA was a loss of \$2.5 million.

Conference Call/Webcast

Hudson will conduct a conference call today at 10:00 a.m. ET to discuss this announcement. Individuals wishing to listen can access the webcast on the investor information section of the company's web site at Hudson.com.

The archived call will be available on the investor information section of the company's web site at Hudson.com.

About Hudson

Hudson is a global talent solutions company with expertise in leadership and specialized recruitment, contracting solutions, recruitment process outsourcing, talent management and eDiscovery. We help our clients and candidates succeed by leveraging our expertise, deep industry and market knowledge, and proprietary assessment tools and techniques. Operating in 20 countries through relationships with millions of specialized professionals, we bring an unparalleled ability to match talent with opportunities by assessing, recruiting, developing and engaging the best and brightest people for our clients. We combine broad geographic presence, world-class talent solutions and a tailored, consultative approach to help businesses and professionals achieve higher performance and outstanding results. More information is available at Hudson.com.

Forward-Looking Statements

This press release contains statements that the company believes to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this press release, including statements regarding the company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "predict," "believe" and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties and assumptions, including industry and economic conditions' that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, global economic fluctuations; risks related to fluctuations in the company's operating results from quarter to quarter; the ability of clients to terminate their relationship with the company at any time; competition in the company's markets; risks associated with the company's investment strategy; risks related to international operations, including foreign currency fluctuations; the company's dependence on key management personnel; the company's ability to attract and retain highly skilled professionals; the company's ability to collect accounts receivable; the negative cash flows and operating losses that the company has experienced in recent periods and may experience from time to time in the future; restrictions on the company's operating flexibility due to the terms of its credit facilities; the company's ability to achieve anticipated cost savings through its cost reduction initiatives; the company's heavy reliance on information systems and the impact of potentially losing or failing to develop technology; risks related to providing uninterrupted service to clients; the company's exposure to employment-related claims from clients, employers and regulatory authorities, current and former employees in connection with the company's business reorganization initiatives and limits on related insurance coverage; the company's ability to utilize net operating loss carry-forwards; volatility of the company's stock price; the impact of government regulations; restrictions imposed by blocking arrangements; risks related to activist stockholders; risks related to limited availability under the company's credit facilities; and the company's ability to successfully achieve its strategic initiatives. Additional information concerning these and other factors is contained in the company's filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this document. The company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Financial Tables Follow

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

| | Three Months Ended March 31, | |
|---|------------------------------|-------------|
| | 2014 | 2013 |
| Revenue | \$ 161,861 | \$ 165,678 |
| Direct costs | 104,332 | 109,001 |
| Gross margin | 57,529 | 56,677 |
| Operating expenses: | | |
| Selling, general and administrative expenses | 59,603 | 61,589 |
| Depreciation and amortization | 1,488 | 1,648 |
| Business reorganization expenses | 114 | 1,982 |
| Total operating expenses | 61,205 | 65,219 |
| Operating income (loss) | (3,676) | (8,542) |
| Non-operating income (expense): | | |
| Interest income (expense), net | (144) | (146) |
| Other income (expense), net | (200) | 270 |
| Income (loss) before provision for income taxes | (4,020) | (8,418) |
| Provision for (benefit from) income taxes | 524 | (177) |
| Net income (loss) | \$ (4,544) | \$ (8,241) |
| Earnings (loss) per share: | | |
| Basic | \$ (0.14) | \$ (0.25) |
| Diluted | \$ (0.14) | \$ (0.25) |
| Weighted-average shares outstanding: | | |
| Basic | 32,641 | 32,344 |
| Diluted | 32,641 | 32,344 |

HUDSON GLOBAL, INC.**CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)****(unaudited)**

| | March 31, 2014 | December 31, 2013 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$22,110 | \$ 37,378 |
| Accounts receivable, less allowance for doubtful accounts of \$1,084 and \$1,108, respectively | 99,335 | 85,901 |
| Prepaid and other | 11,494 | 8,762 |
| Total current assets | 132,939 | 132,041 |
| Property and equipment, net | 14,104 | 13,822 |
| Deferred tax assets, non-current | 6,538 | 7,124 |
| Other assets | 5,918 | 5,842 |
| Total assets | \$159,499 | \$ 158,829 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$8,618 | \$ 9,747 |
| Accrued expenses and other current liabilities | 60,613 | 54,722 |
| Short-term borrowings | 547 | 476 |
| Accrued business reorganization expenses | 2,716 | 3,810 |
| Total current liabilities | 72,494 | 68,755 |
| Deferred rent and tenant improvement contributions | 7,396 | 6,120 |
| Income tax payable, non-current | 2,909 | 3,872 |
| Other non-current liabilities | 5,465 | 5,697 |
| Total liabilities | 88,264 | 84,444 |
| 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 33,115 and 33,543 shares, respectively | 34 | 34 |
| Additional paid-in capital | 475,957 | 475,461 |
| Accumulated deficit | (421,966) | (417,422) |
| Accumulated other comprehensive income | 18,177 | 17,173 |
| Treasury stock, 240 and 211 shares, respectively, at cost | (967) | (861) |
| Total stockholders' equity | 71,235 | 74,385 |
| Total liabilities and stockholders' equity | \$159,499 | \$ 158,829 |

HUDSON GLOBAL, INC.**SEGMENT ANALYSIS - QUARTER TO DATE****(in thousands)****(unaudited)**

| For The Three Months Ended March 31, 2014 | Hudson Americas | Hudson Asia Pacific | Hudson Europe | Corporate | Total |
|---|--------------------|------------------------|------------------|-------------|-------------|
| Revenue, from external customers | \$ 26,863 | \$ 56,430 | \$78,568 | \$ — | \$161,861 |
| Gross margin, from external customers | \$ 6,666 | \$ 20,911 | \$29,952 | \$ — | \$57,529 |
| Adjusted EBITDA (loss) (1) | \$ (649) | \$ 110 | \$2,353 | \$ (3,887) | \$ (2,073) |
| Business reorganization expenses (recovery) | 91 | — | 23 | — | 114 |
| Non-operating expense (income), including corporate administration charges | 370 | 415 | 1,177 | (1,761) | 201 |
| EBITDA (loss) (1) | \$ (1,110) | \$ (305) | \$ 1,153 | \$ (2,126) | \$ (2,388) |
| Depreciation and amortization expenses | | | | | 1,488 |
| Interest expense (income), net | | | | | 144 |
| Provision for (benefit from) income taxes | | | | | 524 |
| Net income (loss) | | | | | \$ (4,544) |

| For The Three Months Ended March 31, 2013 | Hudson Americas | Hudson Asia Pacific | Hudson Europe | Corporate | Total |
|---|--------------------|------------------------|------------------|-------------|-------------|
| Revenue, from external customers | \$ 37,223 | \$ 56,201 | \$72,254 | \$ — | \$165,678 |
| Gross margin, from external customers | \$ 8,144 | \$ 21,492 | \$27,041 | \$ — | \$56,677 |
| Adjusted EBITDA (loss) (1) | \$ (357) | \$ (426) | \$ (112) | \$ (4,017) | \$ (4,912) |
| Business reorganization expenses (recovery) | (17) | 102 | 1,871 | 26 | 1,982 |
| Non-operating expense (income), including corporate administration charges | 607 | 339 | 1,469 | (2,685) | (270) |
| EBITDA (loss) (1) | \$ (947) | \$ (867) | \$ (3,452) | \$ (1,358) | \$ (6,624) |
| Depreciation and amortization expenses | | | | | 1,648 |
| Interest expense (income), net | | | | | 146 |
| Provision for (benefit from) income taxes | | | | | (177) |
| Net income (loss) | | | | | \$ (8,241) |

(1) Non-GAAP earnings before interest, income taxes, and depreciation and amortization (“EBITDA”) and non-GAAP earnings before interest, income taxes, depreciation and amortization, non-operating income, goodwill and other impairment charges, business reorganization expenses and other expenses (“Adjusted EBITDA”) are presented to provide additional information about the company's operations on a basis consistent with the measures which the company uses to manage its operations and evaluate its performance. Management also uses these measurements to evaluate capital needs and working capital requirements. EBITDA and adjusted EBITDA should not be considered

in isolation or as a substitute for operating income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of the company's profitability or liquidity. Furthermore, EBITDA and adjusted EBITDA as presented above may not be comparable with similarly titled measures reported by other companies

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HUDSON GLOBAL, INC.**SEGMENT ANALYSIS - QUARTER TO DATE (continued)****(in thousands)****(unaudited)**

| For The Three Months Ended December 31, 2013 | Hudson Americas | Hudson Asia Pacific | Hudson Europe | Corporate | Total |
|---|--------------------|------------------------|------------------|-------------|--------------|
| Revenue, from external customers | \$ 29,612 | \$ 55,404 | \$ 74,488 | \$ — | \$ 159,504 |
| Gross margin, from external customers | \$ 7,781 | \$ 20,045 | \$ 29,070 | \$ — | \$ 56,896 |
| Adjusted EBITDA (loss) (1) | \$ 1,133 | \$ (1,271) | \$ 1,081 | \$ (2,924) | \$ (1,981) |
| Business reorganization expenses (recovery) | 781 | 887 | 1,067 | 27 | 2,762 |
| Impairment of long-lived assets | — | 257 | 1,079 | — | 1,336 |
| Non-operating expense (income), including corporate administration charges | 714 | 43 | 1,474 | (2,513) | (281) |
| EBITDA (loss) (1) | \$ (362) | \$ (2,458) | \$ (2,539) | \$ (438) | \$ (5,797) |
| Depreciation and amortization expenses | | | | | 1,573 |
| Interest expense (income), net | | | | | 138 |
| Provision for (benefit from) income taxes | | | | | 3,788 |
| Net income (loss) | | | | | \$ (11,296) |

| For The Three Months Ended June 30, 2013 | Hudson Americas | Hudson Asia Pacific | Hudson Europe | Corporate | Total |
|---|--------------------|---------------------------|------------------|-------------|-------------|
| Revenue, from external customers | \$ 37,327 | \$ 62,869 | \$ 71,164 | \$ — | \$ 171,360 |
| Gross margin, from external customers | \$ 9,245 | \$ 24,276 | \$ 26,983 | \$ — | \$ 60,504 |
| Adjusted EBITDA (loss) (1) | \$ 1,542 | \$ 713 | \$ 87 | \$ (4,856) | \$ (2,514) |
| Business reorganization expenses (recovery) | 325 | — | 556 | 368 | 1,249 |
| Office integration expense and (gains) on disposal of business | 6 | — | — | — | 6 |
| Non-operating expense (income), including corporate administration charges | 825 | 490 | 1,686 | (2,908) | 93 |
| EBITDA (loss) (1) | \$ 386 | \$ 223 | \$ (2,155) | \$ (2,316) | \$ (3,862) |
| Depreciation and amortization expenses | | | | | 1,656 |
| Interest expense (income), net | | | | | 155 |
| Provision for (benefit from) income taxes | | | | | 138 |
| Net income (loss) | | | | | \$ (5,811) |

(1) Non-GAAP earnings before interest, income taxes, and depreciation and amortization (“EBITDA”) and non-GAAP earnings before interest, income taxes, depreciation and amortization, non-operating income, goodwill and other impairment charges, business reorganization expenses and other expenses (“Adjusted EBITDA”) are presented to provide additional information about the company's operations on a basis consistent with the measures which the

company uses to manage its operations and evaluate its performance. Management also uses these measurements to evaluate capital needs and working capital requirements. EBITDA and adjusted EBITDA should not be considered in isolation or as a substitute for operating income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of the company's profitability or liquidity. Furthermore, EBITDA and adjusted EBITDA as presented above may not be comparable with similarly titled measures reported by other companies.

HUDSON GLOBAL, INC.**RECONCILIATION FOR CONSTANT CURRENCY****(in thousands) (unaudited)**

The company operates on a global basis, with the majority of its gross margin generated outside of the United States. Accordingly, fluctuations in foreign currency exchange rates can affect its results of operations. Constant currency information compares financial results between periods as if exchange rates had remained constant period-over-period. The company currently defines the term "constant currency" to mean that financial data for a previously reported period are translated into U.S. dollars using the same foreign currency exchange rates that were used to translate financial data for the current period. Changes in revenue, gross margin, selling, general and administrative expenses ("SG&A"), business reorganization expenses and other non-operating income (expense), operating income (loss) and EBITDA (loss) include the effect of changes in foreign currency exchange rates. Variance analysis usually describes period-to-period variances that are calculated using constant currency as a percentage. The company's management reviews and analyzes business results in constant currency and believes these results better represent the company's underlying business trends. The company believes that these calculations are a useful measure, indicating the actual change in operations. There are no significant gains or losses on foreign currency transactions between subsidiaries. Therefore, changes in foreign currency exchange rates generally impact only reported earnings.

| | Three Months Ended March 31, | | | |
|-----------------------------------|------------------------------|-------------|----------------------|-------------------|
| | 2014 | 2013 | | |
| | As reported | As reported | Currency translation | Constant currency |
| Revenue: | | | | |
| Hudson Americas | \$26,863 | \$37,223 | \$ (24) | \$37,199 |
| Hudson Asia Pacific | 56,430 | 56,201 | (5,527) | 50,674 |
| Hudson Europe | 78,568 | 72,254 | 4,067 | 76,321 |
| Total | \$161,861 | \$165,678 | \$ (1,484) | \$164,194 |
| Gross margin: | | | | |
| Hudson Americas | \$6,666 | \$8,144 | \$ (23) | \$8,121 |
| Hudson Asia Pacific | 20,911 | 21,492 | (1,777) | 19,715 |
| Hudson Europe | 29,952 | 27,041 | 1,359 | 28,400 |
| Total | \$57,529 | \$56,677 | \$ (441) | \$56,236 |
| SG&A (1): | | | | |
| Hudson Americas | \$7,311 | \$8,499 | \$ (21) | \$8,478 |
| Hudson Asia Pacific | 20,731 | 21,896 | (1,781) | 20,115 |
| Hudson Europe | 27,672 | 27,178 | 1,276 | 28,454 |
| Corporate | 3,889 | 4,016 | — | 4,016 |
| Total | \$59,603 | \$61,589 | \$ (526) | \$61,063 |
| Business reorganization expenses: | | | | |
| Hudson Americas | \$91 | \$(17) | \$ — | \$(17) |
| Hudson Asia Pacific | — | 102 | (8) | 94 |

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| | | | | |
|--------------------------|------------|------------|-----------|------------|
| Hudson Europe | 23 | 1,871 | 126 | 1,997 |
| Corporate | — | 26 | — | 26 |
| Total | \$ 114 | \$ 1,982 | \$ 118 | \$ 2,100 |
| Operating income (loss): | | | | |
| Hudson Americas | \$(964) | \$(592) | \$(1) | \$(593) |
| Hudson Asia Pacific | (635) | (1,359) | 97 | (1,262) |
| Hudson Europe | 1,973 | (2,388) | (64) | (2,452) |
| Corporate | (4,050) | (4,203) | (2) | (4,205) |
| Total | \$(3,676) | \$(8,542) | \$ 30 | \$(8,512) |
| EBITDA (loss): | | | | |
| Hudson Americas | \$(1,110) | \$(947) | \$ 6 | \$(941) |
| Hudson Asia Pacific | (305) | (867) | (4) | (871) |
| Hudson Europe | 1,153 | (3,452) | (180) | (3,632) |
| Corporate | (2,126) | (1,358) | — | (1,358) |
| Total | \$(2,388) | \$(6,624) | \$ (178) | \$(6,802) |

(1) SG&A is a measure that management uses to evaluate the segments' expenses.