

HUDSON HIGHLAND GROUP INC
Form 10-Q
August 03, 2011

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, 2011

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

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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, 2011
Common Stock - \$0.001 par value	32,876,493

HUDSON HIGHLAND GROUP, INC.
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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 Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue	\$ 247,378	\$ 194,969	\$ 465,917	\$ 375,087
Direct costs	151,911	120,732	289,252	234,430
Gross margin	95,467	74,237	176,665	140,657
Operating expenses:				
Selling, general and administrative expenses	87,405	71,411	166,213	139,743
Depreciation and amortization	1,636	2,186	3,213	4,472
Business reorganization and integration expenses	396	551	747	664
Operating income (loss)	6,030	89	6,492	(4,222)
Other (expense) income :				
Interest, net	(375)	(243)	(581)	(475)
Other, net	(5)	846	482	1,501
Income (loss) from continuing operations before provision for income taxes	5,650	692	6,393	(3,196)
Provision for income taxes	1,426	515	2,175	766
Income (loss) from continuing operations	4,224	177	4,218	(3,962)
Income (loss) from discontinued operations, net of income taxes	-	52	-	(17)
Net income (loss)	\$ 4,224	\$ 229	\$ 4,218	\$ (3,979)
Earnings (loss) per share:				
Basic				
Income (loss) from continuing operations	\$ 0.13	\$ 0.01	\$ 0.13	\$ (0.14)
Income (loss) from discontinued operations	-	0.00	-	(0.00)
Net income (loss)	\$ 0.13	\$ 0.01	\$ 0.13	\$ (0.14)
Diluted				
Income (loss) from continuing operations	\$ 0.13	\$ 0.01	\$ 0.13	\$ (0.14)
Income (loss) from discontinued operations	-	0.00	-	(0.00)
Net income (loss)	\$ 0.13	\$ 0.01	\$ 0.13	\$ (0.14)
Basic weighted average shares outstanding:	31,593	30,947	31,501	28,616
Diluted weighted average shares outstanding:	32,039	31,311	31,939	28,616

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$34,933	\$29,523
Accounts receivable, less allowance for doubtful accounts of \$2,266 and \$2,145, respectively	159,383	128,576
Prepaid and other	14,973	13,988
Total current assets	209,289	172,087
Property and equipment, net	17,095	16,593
Other assets	18,131	17,154
Total assets	\$244,515	\$205,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$13,784	\$14,812
Accrued expenses and other current liabilities	96,761	74,990
Short-term borrowings	10,145	1,339
Accrued business reorganization expenses	1,821	2,619
Total current liabilities	122,511	93,760
Other non-current liabilities	10,777	10,493
Income tax payable, non-current	8,319	8,303
Total liabilities	141,607	112,556
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 32,934 and 32,181 shares, respectively	33	32
Additional paid-in capital	469,009	466,582
Accumulated deficit	(403,981)	(408,199)
Accumulated other comprehensive income—translation adjustments	38,177	34,902
Treasury stock, 58 and 9 shares, respectively, at cost	(330)	(39)
Total stockholders' equity	102,908	93,278
Total liabilities and stockholders' equity	\$244,515	\$205,834

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June	
	30,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$4,218	\$(3,979)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	3,213	4,472
Provision for doubtful accounts	225	205
Benefit from deferred income taxes	(260)	(1,087)
Stock-based compensation	1,826	879
Other, net	(55)	(804)
Changes in assets and liabilities, net of effects of business acquisitions:		
Increase in accounts receivable	(25,820)	(28,629)
Increase in prepaid and other assets	(909)	(1,990)
Increase in accounts payable, accrued expenses and other liabilities	18,053	15,172
Decrease in accrued business reorganization expenses	(759)	(4,821)
Net cash used in operating activities	(268)	(20,582)
Cash flows from investing activities:		
Capital expenditures	(3,348)	(1,457)
Proceeds from sale of assets	247	-
Proceeds from notes and sales of warrants	-	3,500
Change in restricted cash	291	(14)
Net cash (used in) provided by investing activities	(2,810)	2,029
Cash flows from financing activities:		
Borrowings under credit facility and other short term financing	96,501	25,376
Repayments under credit facility and other short term financing	(88,407)	(23,047)
Proceeds from issuance of common stock, net	-	19,167
Purchase of restricted stock from employees	(291)	(38)
Net cash provided by financing activities	7,803	21,458
Effect of exchange rates on cash and cash equivalents	685	(1,073)
Net increase in cash and cash equivalents	5,410	1,832
Cash and cash equivalents, beginning of the period	29,523	36,064
Cash and cash equivalents, end of the period	\$34,933	\$37,896
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$471	\$593
Cash payments during the period for income taxes, net of refunds	\$2,674	\$1,705

See accompanying notes to condensed consolidated financial statements.

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

Common stock	Additional paid-in capital	Accumulated deficit
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