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# Hudson Global, Inc. (HSON)

Q1 2024 Earnings Call

## CORPORATE PARTICIPANTS

**Jeffrey Edward Eberwein**

*Chief Executive Officer & Director, Hudson Global, Inc.*

**Jacob Zabkowicz**

*Global Chief Executive Officer-Hudson RPO Ltd., Hudson Global, Inc.*

**Matthew K. Diamond**

*Chief Financial Officer, Hudson Global, Inc.*

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## OTHER PARTICIPANTS

**Marc Riddick**

*Analyst, Sidoti & Co. LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, and welcome to the Hudson Global Conference Call for the First Quarter of 2024. Our call today will be led by Chief Executive Officer, Jeff Eberwein; Chief Financial Officer, Matt Diamond; and Global CEO of Hudson RPO, Jake Zabkowicz.

Please be advised that the statements made during the presentation include forward-looking statements under applicable securities laws. Such forward-looking statements involve certain risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. These risks are discussed in our Form 8-K to be filed today and in our other filings made with the Securities and Exchange Commission including our Annual Report on Form 10-K. The company disclaims any obligation to update any forward-looking statements.

During the course of this conference call, references will be made to non-GAAP terms such as constant currency, adjusted EBITDA, and adjusted earnings per diluted share. Reconciliations for these measures are included in our earnings release and quarterly slides, both posted on our website hudsonrpo.com. I encourage you to access our earnings materials at this time as they will serve as a helpful reference guide during our call.

Please note, today's conference is being recorded. I will now turn the call over to Jeff Eberwein.

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**Jeffrey Edward Eberwein**

*Chief Executive Officer & Director, Hudson Global, Inc.*

Thank you, operator. And welcome, everyone. We thank you for your interest in Hudson Global, and for joining us today.

I'll start by reviewing the first quarter 2024 results, and Matt Diamond, our CFO, will provide some additional details on our financials. We're also excited to be joined on the call today by Jake Zabkowicz, Global CEO of our Hudson RPO business, who joined the team in November and will provide us with an update today.

As you can see in our news release issued this morning, our first quarter 2024 results were weak due to lower-than-normal hiring volumes at many of our clients. For the first quarter of 2024, we reported revenue of \$33.9 million, down 20% year-over-year in constant currency, while our adjusted net revenue was \$16.3 million, down 25% year-over-year in constant currency. Our adjusted EBITDA loss for the first quarter was \$1.5 million, versus positive adjusted EBITDA of \$1.1 million a year ago. In addition, we reported net loss of \$2.9 million or \$0.95 per diluted share, versus net income of \$400,000 or \$0.11 per diluted share in the same period of last year. Q1 2024 adjusted net loss per diluted share was \$0.72, compared to net income per diluted share of \$0.22 in the first quarter of 2023.

Now, I'll turn the call over to Matt Diamond, our CFO, to review our financial results by region, as well as some additional financial details from the first quarter.

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## Matthew K. Diamond

*Chief Financial Officer, Hudson Global, Inc.*

Thank you, Jeff. And good morning, everyone.

Revenue and adjusted net revenue for our Americas business, both decreased 35% year-over-year in constant currency. We reported an adjusted EBITDA loss of \$0.7 million for the quarter versus last year's breakeven adjusted EBITDA.

Revenue for our Asia Pacific business decreased 18%, while adjusted net revenue decreased 20% year-over-year in constant currency. In Q1 2024, we reported an adjusted EBITDA loss of \$0.2 million, compared to adjusted EBITDA of \$1.7 million a year ago.

Revenue for our Europe business decreased 6% versus the prior-year quarter in constant currency, and adjusted net revenue decreased 13%. Our Q1 2024 adjusted EBITDA was \$0.3 million, compared to adjusted EBITDA of \$0.5 million in the first quarter of 2023.

Turning to some additional financial details in the first quarter. We ended the first quarter with \$21.0 million in cash, including \$0.6 million of restricted cash. Days sales outstanding was 52 days at March 31, 2024, compared to 49 days at December 31, 2023. In connection with our recent acquisitions, including Coit Group in 2020, Karani in 2021, Hunt & Badge in 2022, and Hudson Singapore in 2023, our balance sheet as of March 31, 2024, reflects \$5.7 million of goodwill, and \$3.3 million of net amortizable intangible assets.

The company's working capital, excluding cash, was \$10.2 million, compared to \$12 million at year-end 2023. SG&A expense in the first quarter was \$18 million, down 13% versus the same period last year in constant currency. The company used \$1.8 million in cash flow from operations during the first quarter of 2024, compared to a \$5 million cash outflow from operations in the first quarter of 2023.

I'll now turn the call over to Jake Zabkowicz, Global CEO of Hudson RPO, to give some perspective on our RPO business.

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## Jacob Zabkowicz

*Global Chief Executive Officer-Hudson RPO Ltd., Hudson Global, Inc.*

Thank you, Matt. And good morning.

Hudson RPO made considerable strides in the first quarter of 2024 in both our service offerings and our global market presence to better position ourselves for a long-term success. Thus far, we have announced an organic enhancement of our boutique search offering, and two small but very important UAE-based acquisitions of Executive Solutions and Striver. These acquisitions give us an immediate presence and book of business in the Middle East and ensure that we continue to find and place the best talent globally for our clients. We also initiated internal reorganization, allowing us greater agility to support current clients and future partners, and also invested in our global sales organization to support the expansion initiatives that we've put in place.

We've expanded our team with the hiring of Jeff Bettinger as the Chief Administrative Officer, and Rachel Marshalsea as the Director of Client Solutions for EMEA. Both Jeff and Rachel bring extensive experience and leadership excellence to our team, and tremendous value to our organization as we continue to grow our global footprint. We are starting to see the market come back to life in certain sectors such as industrial and life sciences. Our clients are becoming more bullish in their workforce plans, and we are at the early stages of seeing incremental growth within our current base. I'm optimistic about our future path forward. Our pipeline is continuing to grow with a diverse set of opportunities, both enterprise and project solutions, and it has never been as robust as it is today.

Our investment in our go-to-market strategy is reaching new client groups across the globe. And in six months since joining Hudson. Our leadership team continues to make necessary changes to become a leaner organization and provide excellent support to our clients.

I will now turn the call back over to Jeff to review the outlook for our business and closing remarks.

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## Jeffrey Edward Eberwein

*Chief Executive Officer & Director, Hudson Global, Inc.*

Thank you, Jake.

While first quarter results were weak and some of this weakness has continued into Q2, we are encouraged by the overall trends we're seeing in the RPO market and the feedback we're receiving from our clients. In general, we expect hiring to expand as we expand our footprint through organic and inorganic growth. We believe our stock remains undervalued, and during the first quarter we continued to make share repurchases under our 5 million common share repurchase program initiated in August 2023. Under this program to-date, we have repurchased almost 21,000 shares in the open market for a total of \$400,000. In addition, we repurchased a total of 44,000 additional shares in the first quarter of 2024 [ph] in a privately (00:08:16) negotiated transaction, leaving a balance of 4 million available for purchase under our 2023 authorization.

We continue to view share repurchases as an attractive use of capital, and we expect to buy more over time. I want all of our highly dedicated employees to be thanked for their flexibility, hard work and dedication to our clients and business in the challenging conditions we've been working through.

Operator, can you please open the line for questions?

## QUESTION AND ANSWER SECTION

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Marc Riddick with Sidoti & Company. Please go ahead.

**Marc Riddick**

*Analyst, Sidoti & Co. LLC*

Hey. Good morning.

Q

**Jeffrey Edward Eberwein**

*Chief Executive Officer & Director, Hudson Global, Inc.*

Good morning.

A

**Marc Riddick**

*Analyst, Sidoti & Co. LLC*

So, I was wondering if you could talk a little bit about regional differentiation as far as what you're seeing with the client activity and potential for recovery? And maybe if you're seeing any green shoots that whether it's by industry vertical or any call-up that we should be thinking about as far as folks that are sort of willing to sort of pick up activity.

Q

**Jeffrey Edward Eberwein**

*Chief Executive Officer & Director, Hudson Global, Inc.*

Yeah. Good question, Mark. Jake, can you handle that one?

A

**Jacob Zabkowicz**

*Global Chief Executive Officer-Hudson RPO Ltd., Hudson Global, Inc.*

Yeah, absolutely. Mark, good morning. So, I would say from a geographical...

A

**Marc Riddick**

*Analyst, Sidoti & Co. LLC*

Good morning.

Q

**Jacob Zabkowicz**

*Global Chief Executive Officer-Hudson RPO Ltd., Hudson Global, Inc.*

...the footprint – good morning sir. From a geographical footprint, I think we're seeing signs of life back in the US and also in EMEA holistically. The Middle East is continuing to be strong as in the geographical footprint there's a lot of investments with both regional companies and also multinationals going into the Middle East. I think areas in APAC, you do see some strength coming back online, but it's a little bit slower compared to the other regions I just mentioned.

A

From the sector specific, life sciences continues to be stable and strong. I do expect that to continue to be that cornerstone for us as we continue to move forward. And we're also seeing signs of life both in financial and also manufacturing and industrial. Tech is still being a little bit of a lagger right now for us. But we're bullish in tech

picking back up in H2 of this next year. But from a standpoint of sector, we're seeing some strong signs again in life sciences, industrial and manufacturing and financial services.

**Marc Riddick**

*Analyst, Sidoti & Co. LLC*

Q

Great. That's helpful. And guys, why don't you talk a little bit about are you seeing any changes as far as pricing environment, pricing dynamic, and maybe are there any particular areas that we should be thinking about as far as some of the expense creep for the next couple of quarters or so ahead of future demand recovery?

**Jacob Zabkowicz**

*Global Chief Executive Officer-Hudson RPO Ltd., Hudson Global, Inc.*

A

Yeah, Mark, I think that's another great question. From a pricing and cost basis analysis with some of our partners, I would say, yes, a lot of our partners are under cost pressure to look at different solutions on ways to create value for their businesses, but also reduce costs within their businesses. And we're responding and reacting and partnering with a lot of our current clients, as well as future clients on unique solutions to bring that to market for them.

Is it as robust as it has been in the past around cost pressures? I think that's loosened up a little bit, but it's still top of mind coming out of the pandemic and into 2023. Now, we're in 2024, of course. So, that is there. We're being both aggressive in our go-to-market strategy and investing in our growth to be able to help support our clients and meet them where they are. And that's why you saw the recent acquisitions of the Middle East because we have a lot of our partners that would like to drive some solutions and partnerships in those regions.

**Marc Riddick**

*Analyst, Sidoti & Co. LLC*

Q

Great. And that actually leads me right into what my next question was going to be, which is sort of the general sort of acquisition pipeline that you see out there. And maybe you can sort of talk about maybe if you've seen much of a change of availability of targets, valuation, competition for assets, things like that.

**Jacob Zabkowicz**

*Global Chief Executive Officer-Hudson RPO Ltd., Hudson Global, Inc.*

A

Jeff, would you like to take that?

**Jeffrey Edward Eberwein**

*Chief Executive Officer & Director, Hudson Global, Inc.*

A

Go ahead. No, you go ahead.

**Jacob Zabkowicz**

*Global Chief Executive Officer-Hudson RPO Ltd., Hudson Global, Inc.*

A

Okay. Thanks, Mark. So, from a standpoint of acquisition targets, part of our growth strategy is M&A, and we're going to continue down this route, where we're very bullish about the targets that are out there. I can tell you that we are having many opportunities come across our door and in our desk and we're looking at every opportunity holistically.

I am bullish about H2 for us, both from organic growth and from M&A activity. And from M&A activity, I can share with you there's a lot of partners, there're a lot of opportunities that are out there, both from a geographical

standpoint, but also from an industrial and sector expertise that we're looking to bring in to round out our overall service offerings for our clients.

### Jeffrey Edward Eberwein

*Chief Executive Officer & Director, Hudson Global, Inc.*

A

Mark, I would just add to that that our preference is always is organic growth, investing in our team, making some key hires, growing our team. And with a couple of these small acquisitions in the Middle East, it was felt more like we just hire the teams then did an acquisition, which is a faster, more effective way to do some of the small ones. So, acquisitions are really just meant to fill in gaps in our geographies or maybe some of our sector expertise. And we continue to look. We benefit a lot from being in the market. We're looking, but our bar is really high to complete one.

### Marc Riddick

*Analyst, Sidoti & Co. LLC*

Q

Got you. Thank you very much.

**Operator:** [Operator Instructions] That concludes today's question-and-answer session. I will now turn the call over to Jeff Eberwein for closing remarks.

### Jeffrey Edward Eberwein

*Chief Executive Officer & Director, Hudson Global, Inc.*

Thank you, all, for joining us today, and for your interest in Hudson Global. Feel free to contact us any time using the contact information found in our press release or on our Investor Relations website. We look forward to next quarter's update call. Have a good day, everybody.

**Operator:** Thank you for joining the Hudson Global first quarter conference call. Today's call is being recorded, and will be available on the Investors section of the website, hudsonrpo.com. You may now disconnect.

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