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, 2019**

**or**

o **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 GLOBAL, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **DELAWARE** | **59-3547281** |
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |

**53 Forest Avenue, Old Greenwich, CT 06870**
**(Address of principal executive offices) (Zip Code)**
**(203) 409-5628**
**(Registrant's telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.001 par value** | **HSON** | **The NASDAQ Stock Market LLC** |
| **Preferred Share Purchase Rights** | | **The NASDAQ Stock Market LLC** |

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 x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | o | Accelerated filer | o |
| Non-accelerated filer | o | Smaller reporting company | x |
| | | Emerging growth company | o |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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, 2019 |
|---|---|
| Common Stock - $0.001 par value | 2,959,757 |

**HUDSON GLOBAL, INC.**
**INDEX**

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | $ 26,414 | $ 17,015 | $ 42,601 | $ 33,230 |
| Direct costs | 14,755 | 6,214 | 21,546 | 12,275 |
| Gross profit | 11,659 | 10,801 | 21,055 | 20,955 |
| Operating expenses: | | | | |
| Salaries and related | 9,729 | 9,303 | 18,901 | 19,662 |
| Other selling, general and administrative | 2,701 | 2,755 | 4,889 | 5,208 |
| Depreciation and amortization | 21 | 2 | 39 | 2 |
| Operating loss | (792) | (1,259) | (2,774) | (3,917) |
| Non-operating income (expense): | | | | |
| Interest income, net | 125 | 60 | 438 | 60 |
| Other expense, net | (91) | (45) | (128) | (112) |
| Loss from continuing operations before provision for income taxes | (758) | (1,244) | (2,464) | (3,969) |
| Provision for income taxes from continuing operations | 142 | 109 | 207 | 281 |
| Loss from continuing operations | (900) | (1,353) | (2,671) | (4,250) |
| (Loss) income from discontinued operations, net of income taxes | — | (11) | (131) | 13,607 |
| Net (loss) income | $ (900) | $ (1,364) | $ (2,802) | $ 9,357 |
| **Basic and diluted (loss) earnings per share:(a)** | | | | |
| Basic and diluted loss per share from continuing operations | $ (0.29) | $ (0.42) | $ (0.84) | $ (1.32) |
| Basic and diluted (loss) earnings per share from discontinued operations | — | — | (0.04) | 4.22 |
| Basic and diluted (loss) earnings per share | $ (0.29) | $ (0.42) | $ (0.88) | $ 2.90 |
| **Weighted-average shares outstanding:(a)** | | | | |
| Basic | 3,082 | 3,228 | 3,184 | 3,221 |
| Diluted | 3,082 | 3,228 | 3,184 | 3,221 |

(a) Earnings per share and weighted average shares outstanding for all periods presented reflect the Company's 1-for-10 reverse stock split, which was effective June 10, 2019.

**See accompanying notes to condensed consolidated financial statements.**

**HUDSON GLOBAL, INC.**
**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE LOSS**
**(in thousands, except per share amounts)**
**(unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Comprehensive loss:** | | | | |
| Net (loss) income | $ (900) | $ (1,364) | $ (2,802) | $ 9,357 |
| Other comprehensive loss: | | | | |
| Foreign currency translation adjustment, net of applicable income taxes | (106) | (429) | (41) | (96) |
| Reclassification of currency translation adjustment included in (loss) income from discontinued operations, net of income taxes | — | — | — | (10,819) |
| Reclassification of pension liability adjustment included in (loss) income from discontinued operations, net of income taxes | — | — | — | (38) |
| Total other comprehensive loss, net of income taxes | (106) | (429) | (41) | (10,953) |
| Comprehensive loss | $ (1,006) | $ (1,793) | $ (2,843) | $ (1,596) |

**See accompanying notes to condensed consolidated financial statements.**

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 28,543 | $ 40,562 |
| Accounts receivable, less allowance for doubtful accounts of $84 and $41, respectively | 14,382 | 9,893 |
| Prepaid and other | 1,338 | 671 |
| Current assets of discontinued operations | — | 941 |
| Total current assets | 44,263 | 52,067 |
| Property and equipment, net | 217 | 170 |
| Operating lease right-of-use assets | 542 | — |
| Deferred tax assets, non-current | 725 | 583 |
| Restricted cash, non-current | 379 | 352 |
| Other assets, non-current | 7 | 7 |
| Total assets | $ 46,133 | $ 53,179 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,022 | $ 1,461 |
| Accrued expenses and other current liabilities | 8,298 | 8,984 |
| Operating lease obligations, current | 260 | — |
| Current liabilities of discontinued operations | 23 | 115 |
| Total current liabilities | 9,603 | 10,560 |
| Income tax payable, non-current | 2,084 | 1,982 |
| Operating lease obligations, non-current | 277 | — |
| Other non-current liabilities | 168 | 150 |
| Total liabilities | 12,132 | 12,692 |
| 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, 20,000 and 10,000 shares authorized; 3,658 and 3,613 shares issued; 2,960 and 3,190 shares outstanding, respectively [(a)] | 4 | 4 |
| Additional paid-in capital | 485,736 | 485,127 |
| Accumulated deficit | (438,354) | (435,552) |
| Accumulated other comprehensive loss, net of applicable tax | (647) | (606) |
| Treasury stock, 698 and 423 shares, respectively, at cost [(a)] | (12,738) | (8,486) |
| Total stockholders' equity | 34,001 | 40,487 |
| Total liabilities and stockholders' equity | $ 46,133 | $ 53,179 |

(a) Common stock and Treasury stock for all periods presented reflect the Company's 1-for-10 reverse stock split, which was effective June 10, 2019.

**See accompanying notes to condensed consolidated financial statements.**

**HUDSON GLOBAL, INC.**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**(in thousands)**
**(unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| Cash flows from operating activities: | | |
| Net (loss) income | $ (2,802) | $ 9,357 |
| Adjustments to reconcile net (loss) income to net cash used in operating activities: | | |
| Depreciation and amortization | 39 | 682 |
| (Recovery of) provision for doubtful accounts | (9) | 30 |
| (Benefit from) provision for deferred income taxes | (146) | 219 |
| Stock-based compensation | 609 | 874 |
| Gain on sale of consolidated subsidiaries | — | (14,032) |
| Changes in assets and liabilities, net of effect of dispositions: | | |
| Increase in accounts receivable | (4,565) | (9,451) |
| Decrease (increase) in prepaid and other assets | 246 | (582) |
| Decrease in accounts payable, accrued expenses and other liabilities | (1,107) | (4,844) |
| Decrease in accrued business reorganization | — | (502) |
| Net cash used in operating activities | (7,735) | (18,249) |
| Cash flows from investing activities: | | |
| Capital expenditures | (69) | (284) |
| Proceeds from sale of consolidated subsidiaries, net of cash and restricted cash sold | — | 27,967 |
| Net cash (used in) provided by investing activities | (69) | 27,683 |
| Cash flows from financing activities: | | |
| Borrowings under credit agreements | 16,406 | 59,647 |
| Repayments under credit agreements | (16,406) | (51,682) |
| Repayment of capital lease obligations | — | (27) |
| Purchase of treasury stock | (4,211) | (3) |
| Purchase of restricted stock from employees | (41) | (534) |
| Net cash (used in) provided by financing activities | (4,252) | 7,401 |
| Effect of exchange rates on cash, cash equivalents and restricted cash | 54 | 228 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (12,002) | 17,063 |
| Cash, cash equivalents, and restricted cash, beginning of the period | 41,060 | 22,006 |
| Cash, cash equivalents, and restricted cash, end of the period | $ 29,058 | $ 39,069 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for interest | $ — | $ 92 |
| Cash received during the period for interest | $ 162 | $ 55 |
| Net cash payments during the period for income taxes | $ 436 | $ 131 |
| Cash paid for amounts included in operating lease liabilities | $ 169 | $ — |
| Supplemental non-cash disclosures: | | |
| Right-of-use assets obtained in exchange for operating lease liabilities | $ 723 | $ — |

**See accompanying notes to condensed consolidated financial statements.**

# HUDSON GLOBAL, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
### (in thousands)
### (unaudited)

| | Three Months Ended | | | | Six Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2019 | | June 30, 2018 | | June 30, 2019 | | June 30, 2018 | |
| | Shares (a) | Value | Shares (a) | Value | Shares (a) | Value | Shares (a) | Value |
| Total stockholders' equity, beginning balance | 4,305 | $ 34,816 | 3,925 | $ 43,978 | 4,036 | $ 40,487 | 3,876 | $ 40,152 |
| Common stock and additional paid-in capital: | | | | | | | | |
| Beginning balance | 3,622 | 485,315 | 3,541 | 484,288 | 3,613 | 485,131 | 3,496 | 483,592 |
| Stock-based compensation expense | 36 | 425 | 70 | 178 | 45 | 609 | 115 | 874 |
| Ending balance | 3,658 | 485,740 | 3,611 | 484,466 | 3,658 | 485,740 | 3,611 | 484,466 |
| Treasury stock: | | | | | | | | |
| Beginning balance | 683 | (12,504) | 384 | (7,797) | 423 | (8,486) | 380 | (7,730) |
| Purchase of treasury stock | 15 | (230) | — | (3) | 273 | (4,212) | — | (3) |
| Purchase of restricted stock from employees | — | (4) | 24 | (467) | 2 | (40) | 28 | (534) |
| Ending balance | 698 | (12,738) | 408 | (8,267) | 698 | (12,738) | 408 | (8,267) |
| Accumulated other comprehensive (loss) income: | | | | | | | | |
| Beginning balance | | (541) | | 185 | | (606) | | 10,709 |
| Other comprehensive loss | | (106) | | (429) | | (41) | | (10,953) |
| Ending balance | | (647) | | (244) | | (647) | | (244) |
| Retained earnings: | | | | | | | | |
| Beginning balance | | (437,454) | | (432,698) | | (435,552) | | (443,419) |
| Net (loss) income | | (900) | | (1,364) | | (2,802) | | 9,357 |
| Ending balance | | (438,354) | | (434,062) | | (438,354) | | (434,062) |
| Total stockholders' equity, ending balance | 4,356 | $ 34,001 | 4,019 | $ 41,893 | 4,356 | $ 34,001 | 4,019 | $ 41,893 |

(a) Common stock and Treasury stock for all periods presented reflect the Company's 1-for-10 reverse stock split, which was effective June 10, 2019.

**See accompanying notes to condensed consolidated financial statements.**

**HUDSON GLOBAL, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(in thousands, except share and per share amounts)**
**(unaudited)**

## NOTE 1 – BASIS OF PRESENTATION

These interim unaudited condensed consolidated financial statements have been prepared in accordance with United States of America ("U.S.") generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X of the United States Securities and Exchange Commission ("SEC") for interim financial reporting and should be read in conjunction with the consolidated financial statements and related notes of Hudson Global, Inc. and its subsidiaries (the "Company") filed in its Annual Report on Form 10-K for the year ended December 31, 2018.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of operating revenues and expenses. These estimates are based on management's knowledge and judgments. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the Company's financial position, results of operations, and cash flows at the dates and for the periods presented have been included. The results of operations for interim periods are not necessarily indicative of the results of operations for the full year. The condensed consolidated financial statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries. All significant intra-entity balances and transactions between and among the Company and its subsidiaries have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current year presentation with no material impact on the condensed consolidated financial statements. All per share amounts and shares outstanding for the three and six months ended June 30, 2019 and all prior periods reflect the Company's 1-for-10 reverse stock split, which was effective June 10, 2019. For more information, see Note 2.

## NOTE 2 – DESCRIPTION OF BUSINESS

The Company is comprised of the operations, assets, and liabilities of the three Hudson regional businesses of Hudson Americas, Hudson Asia Pacific, and Hudson Europe ("Hudson regional businesses" or "Hudson"). The Company provides specialized professional-level recruitment and related talent solutions. During the first quarter of 2018, the Company's core service offerings included Permanent Recruitment, Contracting, Recruitment Process Outsourcing ("RPO"), and Talent Management Solutions. On March 31, 2018 the Company completed the sale of its Recruitment and Talent Management ("RTM") businesses in three separate transactions and retained its RPO business and the RTM businesses are reported as discontinued operations in 2018. For more information, see Note 5.

As a result of the divestiture of the RTM businesses, the Company now operates directly in nine countries with three reportable geographic business segments: Hudson Americas, Hudson Asia Pacific, and Hudson Europe. See Note 13 for further details regarding the reportable segments.

The Company's core service offering following the divestiture is RPO. The Company delivers RPO permanent recruitment and contracting outsourced recruitment solutions tailored to the individual needs of primarily mid-to-large-cap multinational companies. The Company's RPO delivery teams utilize state-of-the-art recruitment process methodologies and project management expertise in their flexible, turnkey solutions to meet clients' ongoing business needs. The Company's RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions, and recruitment consulting.

Corporate expenses are reported separately from the reportable segments and pertain to certain functions, such as executive management, corporate governance, human resources, accounting, tax, marketing, information technology, and treasury. A portion of these expenses are attributed to the reportable segments for providing the above services to them and have been allocated to the segments as management service fees and are included in the segments' non-operating other income (expense).

On June 10, 2019, the Company announced a reverse stock split of its outstanding shares of common stock at a ratio of 1-for-10 (the “Reverse Split”) and that it had filed a Certificate of Amendment of the Company's Amended and Restated Certificate of Incorporation in order to effect the Reverse Split. The filed certificate also reduced the number of authorized shares of common stock to 20 million shares. The Reverse Split and reduction in authorized shares was approved by the Board on February 25, 2019, and it was approved by the stockholders of the Company at the annual meeting on May 6, 2019. The Board approved the ratio of 1-for-10 on May 24, 2019, and the Reverse Split became effective as of the close of business on June 10, 2019. The Reverse Split had no effect on the par value of the Company's common stock but it reduced the number of issued and outstanding shares of common stock by a factor of 10. Accordingly, the issued and outstanding shares, stock-based compensation disclosures, net loss per share, and other share and per share disclosures for all periods presented have been retrospectively adjusted to reflect the impact of this Reverse Split.

## NOTE 3 – ACCOUNTING PRONOUNCEMENTS

### Adoption of New Accounting Pronouncements

On January 1, 2019, we adopted Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). This ASU requires a company to recognize lease assets and liabilities arising from operating leases in the statement of financial position. This ASU does not significantly change the previous lease guidance for how a lessee should recognize the recognition, measurement, and presentation of expenses and cash flows arising from a lease. Additionally, the criteria for classifying a finance lease versus an operating lease are substantially the same as the previous guidance. In July 2018, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" ("ASU 2018-11"). This ASU allows adoption of the standard as of the effective date without restating prior periods. We did not elect to recognize the lease assets and liabilities in the statement of financial position for short-term leases. For more information, see Note 10.

On January 1, 2019, we adopted ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which provides guidance on reclassification of certain stranded income tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), enacted on December 22, 2017. ASU No. 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the application of the Tax Act. Additionally, ASU No. 2018-02 requires financial statement preparers to disclose (1) a description of their accounting policy for releasing income tax effects from accumulated other comprehensive income, (2) whether they elect to reclassify the stranded income tax effects from the Tax Act, and (3) information about other income tax effects related to the application of the Tax Act that are reclassified from accumulated other comprehensive income to retained earnings, if any. The adoption had no impact on the Company's consolidated financial statements.

On January 1, 2018, we adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09") and a series of related accounting standard updates designed to create improved revenue recognition and disclosure comparability in financial statements. For more information, see Note 4.

On January 1, 2018, we retroactively adopted ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)." This ASU requires the statements of cash flows to present the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are now included with cash and cash equivalents when reconciling the beginning of period and end of period amounts presented on the statements of cash flows.

### Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, "Customer Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract." ("ASU 2018-15"), which requires implementation costs incurred by customers in a cloud computing arrangement to be deferred and recognized over the term of the arrangement, if those costs would be capitalized by the customer in a software licensing arrangement under the internal-use software guidance in Accounting Standards Codification ("ASC") 350-40. The amendments in ASU 2018-15 are effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact to its consolidated financial statements.

There are no other recently issued accounting pronouncements that have had, or that the Company believes will have, a material impact on the Company's condensed consolidated financial statements.

## NOTE 4 – REVENUE RECOGNITION

### Adoption of New Revenue Recognition Guidance

On January 1, 2018, the Company adopted ASU 2014-09 using the modified retrospective approach. Under this method, the guidance is applied only to the most current period presented in the financial statements. ASU 2014-09 outlines a single comprehensive revenue recognition model for revenue arising from contracts with customers and supersedes most of the previous revenue recognition guidance, including industry-specific guidance. Under ASU 2014-09, an entity recognizes revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Our revenue recognition practices remained substantially unchanged as a result of the adoption of ASU 2014-09 and we did not have any significant changes in our business processes or systems.

### Nature of Services

We account for a contract when both parties to the contract have approved the contract, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenues are recognized over time, using an output measure, as the control of the promised services is transferred to the client in an amount that reflects the consideration we expect to be entitled to in exchange for those services. The majority of our contracts are short-term in nature as they include termination clauses that allow either party to cancel within a short termination period, without cause. Revenue includes billable travel and other reimbursable costs and are reported net of sales or use taxes collected from clients and remitted to taxing authorities.

We generally determine standalone selling prices based on the prices included in the client contracts, using expected cost plus profit, or other observable prices. The price as specified in our client contracts is generally considered the standalone selling price as it is an observable input that depicts the price as if sold to a similar client in similar circumstances. Certain client contracts have variable consideration, including usage-based fees that increase the transaction price and volume rebates or other similar items that generally reduce the transaction price. We estimate variable consideration using the expected value method based on the terms of the client contract and historical evidence. These amounts may be constrained and are only included in revenue to the extent we do not expect a significant reversal when the uncertainty associated with the variable consideration is resolved. Our estimated amounts of variable consideration subject to constraints are not material and we do not believe that there will be significant changes to our estimates.

We record accounts receivable when our right to consideration becomes unconditional. Contract assets primarily relate to our rights to consideration for services provided that they are conditional on satisfaction of future performance obligations. A contract liability for deferred revenue is recorded when consideration is received, or is unconditionally due, from a client prior to transferring control of services to the client under the terms of a contract. Deferred revenue balances typically result from advance payments received from clients prior to transfer services. We do not have any material contract assets or liabilities as of and for the six months ended June 30, 2019.

Payment terms vary by client and the services offered. We consider payment terms that exceed one year to be extended payment terms. Substantially all of the Company's contracts include payment terms of 90 days or less and we do not extend payment terms beyond one year.

We primarily record revenue on a gross basis as a principal in the Consolidated Statements of Operations and Comprehensive Income based upon the following key factors:

- We maintain the direct contractual relationship with the client and are responsible for fulfilling the service promised to the client.
- We maintain control over our contractors while the services to the client are being performed, including our contractors' billing rates.

**HUDSON GLOBAL, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(in thousands, except share and per share amounts)**
**(unaudited)**

*RPO Recruitment.* We provide complete recruitment outsourcing, project-based outsourcing, and recruitment consulting for clients' permanent staff hires. We recognize revenue for our RPO recruitment over time in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services. The client simultaneously receives and consumes the benefits of the services as they are provided. The transaction prices contains both fixed fees and variable consideration. Variable consideration is constrained by candidates accepting offers of permanent employment. We recognized revenue on the fixed fees as the performance obligations are satisfied and variable fees as the constraint is lifted. We do not incur incremental costs to obtain our RPO recruitment contracts. The costs to fulfill these contracts are expensed as incurred.

*RPO Contracting.* We provide RPO clients with a range of outsourced professional contract staffing services and managed service provider services offered sometimes on a standalone basis and sometimes as part of a blended total talent solution. We recognize revenue for our RPO contracting services over time as services are performed in an amount that reflects the consideration we expect to be entitled to and have an enforceable right to payment in exchange for our services, which is generally calculated as hours worked multiplied by the agreed-upon hourly bill rate. The client simultaneously receives and consumes the benefits of the services as they are provided. We do not incur incremental costs to obtain our RPO contracting contracts. The costs incurred to fulfill these contracts are expensed as incurred.

*Unsatisfied performance obligations.* As a practical expedient, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an expected original duration of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

**Disaggregation of Revenue**

The following table presents our disaggregated revenues from continuing operations by revenue source. For additional information on the disaggregated revenues by geographical segment, see Note 13 of the Notes to the Condensed Consolidated Financial Statements.

| | Three Months Ended June 30, 2019 | | |
|---|---|---|---|
| | RPO Recruitment | RPO Contracting | Total |
| Revenue | $ 11,716 | $ 14,698 | $ 26,414 |
| Direct costs (1) | 683 | 14,072 | 14,755 |
| Gross profit | $ 11,033 | $ 626 | $ 11,659 |

| | Three Months Ended June 30, 2018 | | |
|---|---|---|---|
| | RPO Recruitment | RPO Contracting | Total |
| Revenue | $ 11,696 | $ 5,319 | $ 17,015 |
| Direct costs (1) | 1,464 | 4,750 | 6,214 |
| Gross profit | $ 10,232 | $ 569 | $ 10,801 |

| | Six Months Ended June 30, 2019 | | |
|---|---|---|---|
| | RPO Recruitment | RPO Contracting | Total |
| Revenue | $ 21,283 | $ 21,318 | $ 42,601 |
| Direct costs (1) | 1,411 | 20,135 | 21,546 |
| Gross profit | $ 19,872 | $ 1,183 | $ 21,055 |

| | Six Months Ended June 30, 2018 | | |
|---|---|---|---|
| | RPO Recruitment | RPO Contracting | Total |
| Revenue | $ 23,385 | $ 9,845 | $ 33,230 |
| Direct costs (1) | 3,482 | 8,793 | 12,275 |
| Gross profit | $ 19,903 | $ 1,052 | $ 20,955 |

(in thousands, except share and per share amounts)

(1) Direct costs include the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses, rent, and insurance costs for the Company's contractors and reimbursed out-of-pocket expenses and other direct costs. The region where services are provided, the mix of RPO recruitment and RPO contracting, and the functional nature of the staffing services provided can affect gross profit. The salaries, commissions, payroll taxes and employee benefits related to recruitment professionals are included under the caption "Salaries and related" in the Condensed Consolidated Statement of Operations.

**NOTE 5 – DISCONTINUED OPERATIONS**

On March 31, 2018, the Company completed the sale of its RTM businesses in Belgium, Europe (excluding Belgium) and Asia Pacific ("APAC") in separate transactions to Value Plus NV, Morgan Philips Group S.A., and Apache Group Holdings Pty Limited, respectively. The gross proceeds from the sale were $38,960. In addition $17,626 of debt was assumed by the buyers.

The following is a reconciliation of the gross proceeds to the net proceeds as presented in the statement of cash flows for the six months ended June 30, 2018.

| | | |
|---|---|---|
| Gross proceeds | $ | 38,960 |
| Add: purchase price adjustments | | 149 |
| Less: cash and restricted cash sold | | (9,547) |
| Less: transaction costs | | (1,595) |
| Net cash proceeds as presented in the statement of cash flows | $ | 27,967 |

The divestiture generated a pre-tax gain of $14,032 for the six months ended June 30, 2018, which includes a benefit of $10,819 reclassification adjustment relating to the net foreign currency translation gains previously included in accumulated other comprehensive income. The pre-tax gain is subject to adjustment for various purchase price adjustments.

The RTM businesses met the criteria for discontinued operations set forth in ASC 205 on March 31, 2018 subsequent to approval of the sale by our stockholders. The Company reclassified its discontinued operations for all periods presented and has excluded the results of its discontinued operations from continuing operations and from segment results for all periods presented.

The carrying amounts of the classes of assets and liabilities from the RTM businesses included in discontinued operations were as follows:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Total | | Total | |
| Prepaid and other current assets | $ | — | $ | 941 |
| Total current assets | | — | | 941 |
| Total assets | $ | — | $ | 941 |
| | | | | |
| Accrued expenses and other current liabilities | $ | 23 | $ | 115 |
| Total current liabilities | | 23 | | 115 |
| Total liabilities | $ | 23 | $ | 115 |

**HUDSON GLOBAL, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(in thousands, except share and per share amounts)**
**(unaudited)**

Reported results for the discontinued operations by period were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | $ — | $ — | $ — | $ 108,463 |
| Gross profit | — | — | — | 38,663 |
| Operating expenses: | | | | |
| Salaries and related | — | — | — | 29,032 |
| Other selling, general and administrative | — | — | — | 8,355 |
| Depreciation and amortization | — | — | — | 680 |
| Business reorganization | — | — | — | 50 |
| Operating income | — | — | — | 546 |
| Non-operating income (expense): | | | | |
| Interest expense, net | — | — | — | (88) |
| Other non-operating income | — | — | — | 216 |
| Income from discontinued operations before taxes and gain on sale | — | — | — | 674 |
| (Loss) gain from sale of discontinued operations | — | (11) | (131) | 14,032 |
| (Loss) income from discontinued operations before income taxes | — | (11) | (131) | 14,706 |
| Provision for income taxes | — | — | — | 1,099 |
| (Loss) income from discontinued operations | $ — | $ (11) | $ (131) | $ 13,607 |

Depreciation, capital expenditures, and significant operating and investment non cash items of the discontinued operations by period were as follows:

| | Six Months Ended June 30, 2018 |
|---|---|
| Depreciation and amortization | $ 680 |
| Stock-based compensation expense | $ 233 |
| Capital expenditures | $ 284 |

**Disaggregation of Revenue**

The following table presents our disaggregated revenues from discontinued operations by revenue source.

| | Six Months Ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Permanent Recruitment | Contracting | Talent Management | Other | Total |
| Revenue | $ 20,700 | $ 76,615 | $ 10,694 | $ 454 | $ 108,463 |
| Direct costs (1) | 190 | 67,980 | 1,225 | 405 | 69,800 |
| Gross profit | $ 20,510 | $ 8,635 | $ 9,469 | $ 49 | $ 38,663 |

(1) Direct costs include the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses, and insurance costs for the Company's contractors and reimbursed out-of-pocket expenses and other direct costs. Other than reimbursed out-of-pocket expenses, there are no other direct costs associated with the Permanent Recruitment and Other categories. Gross profit represents revenue less direct costs. The region where services are provided, the mix of contracting, and permanent recruitment, and the functional nature of the staffing services provided can affect gross profit.

(in thousands, except share and per share amounts)

## NOTE 6 – STOCK-BASED COMPENSATION

### Incentive Compensation Plan

The Company maintains the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended and restated May 24, 2016 (the "ISAP"), pursuant to which it can issue equity-based compensation incentives to eligible participants. The ISAP permits the granting of stock options, restricted stock, restricted stock units, and other types of equity-based awards. The Compensation Committee (the "Compensation Committee") of the Company's Board of Directors (the "Board") will establish such conditions as it deems appropriate on the granting or vesting of stock options, restricted stock, restricted stock units, and other types of equity-based awards. As determined by the Compensation Committee, equity awards also may be subject to immediate vesting upon the occurrence of certain events following a change in control of the Company. The Company primarily grants restricted stock and restricted stock units to its employees. A restricted stock unit is equivalent to one share of the Company's common stock and is payable only in common stock of the Company issued under the ISAP.

The Compensation Committee administers the ISAP and may designate any of the following as a participant under the ISAP: any officer or other employee of the Company or its affiliates or individuals engaged to become an officer or employee; consultants or other independent contractors who provide services to the Company or its affiliates; and non-employee directors of the Company. On May 24, 2016, the Company's stockholders approved an amendment and restatement of the ISAP to, among other things, increase the number of shares of the Company's common stock that are reserved for issuance by 240,000 shares. As of June 30, 2019, there were 47,768 shares of the Company's common stock available for future issuance under the ISAP.

The following table presents a summary of the quantity and vesting conditions for stock-based units granted to the Company's employees for the six months ended June 30, 2019:

| Vesting conditions | Number of Restricted Stock Units Granted |
|---|---|
| Performance and service conditions - Type 1 (1) | 19,500 |
| Performance and service conditions - Type 2 (1) | 31,334 |
| Total shares of stock award granted | 50,834 |

(1) The performance conditions with respect to restricted stock units may be satisfied as follows:

(a) For employees from the Americas, APAC, and Europe 70% of the restricted stock units may be earned on the basis of performance as measured by a "regional adjusted EBITDA," and 30% of the restricted stock units may be earned on the basis of performance as measured by a "group adjusted EBITDA"; and

(b) For employees from the Corporate office 75% of the restricted stock units may be earned on the basis of performance as measured by a "group adjusted EBITDA," and 25% of the restricted stock units may be earned on the basis of performance as measured by a "corporate costs" target.

To the extent restricted stock units are earned on the basis of performance, such restricted stock units will vest on the basis of service as follows:

(a) 33% and 66.6% for Type 1 and Type 2, respectively, of the restricted stock units will vest on the first anniversary of the grant date;

(b) 33% and 16.7% for Type 1 and Type 2, respectively, of the restricted stock units will vest on the second anniversary of the grant date; and

(c) 34% and 16.7% for Type 1 and Type 2, respectively, of the restricted stock units will vest on the third anniversary of the grant date; provided that, in each case, the employee remains employed by the Company from the grant date through the applicable service vesting date.

(in thousands, except share and per share amounts)

The Company also maintains the Director Deferred Share Plan (the "Director Plan") pursuant to which it can issue restricted stock units to its non-employee directors. A restricted stock unit is equivalent to one share of the Company’s common stock and is payable only in common stock issued under the ISAP upon a director ceasing service as a member of the Company's Board. The restricted stock units vest immediately upon grant and are credited to each of the non-employee director's retirement accounts under the Director Plan. Restricted stock units issued under the Director Plan contain the right to a dividend equivalent award in the form of additional restricted stock units. The dividend equivalent award is calculated using the same rate as the cash dividend paid on a share of the Company's common stock, and then divided by the closing price of the Company’s common stock on the date the dividend is paid to determine the number of additional restricted stock units to grant. Dividend equivalent awards have the same vesting terms as the underlying awards. During the six months ended June 30, 2019, the Company granted 28,144 restricted stock units to its non-employee directors pursuant to the Director Plan.

As of June 30, 2019, 128,001 restricted stock units are deferred under the Company’s ISAP.

For the three and six months ended June 30, 2019 and 2018, the Company’s stock-based compensation expense related to stock options and restricted stock units was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Stock options | $ — | $ — | $ — | $ — |
| Restricted stock units | 425 | 178 | 609 | 874 |
| Total | $ 425 | $ 178 | $ 609 | $ 874 |

**Stock Options**

Stock options granted by the Company generally expire between five and ten years after the date of grant and have an exercise price of at least 100% of the fair market value of the underlying share of common stock on the date of grant.

As of June 30, 2019, the Company had no unrecognized stock-based compensation expense related to outstanding unvested stock options.

Changes in the Company’s stock options for the six months ended June 30, 2019 and 2018 were as follows:

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Number of Options | Weighted Average Exercise Price per Share | Number of Options | Weighted Average Exercise Price per Share |
| Options outstanding at January 1, | 5,000 | $ 24.90 | 10,000 | $ 38.55 |
| Expired/forfeited | — | — | — | — |
| Options outstanding at June 30, | 5,000 | $ 24.90 | 10,000 | $ 38.55 |
| Options exercisable at June 30, | 5,000 | $ 24.90 | 10,000 | $ 38.55 |

**Restricted Stock Units**

As of June 30, 2019, the Company had approximately $778 of unrecognized stock-based compensation expense related to outstanding unvested restricted stock units. The Company expects to recognize that cost over a weighted average service period of 2.15 years. Restricted stock units have no voting or dividend rights until the awards are vested.

(in thousands, except share and per share amounts)

Changes in the Company's restricted stock units for the six months ended June 30, 2019 and 2018 were as follows:

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Number of Restricted Stock Units | Weighted Average Grant-Date Fair Value | Number of Restricted Stock Units | Weighted Average Grant-Date Fair Value |
| Unvested restricted stock units at January 1, | 57,773 | $ 15.68 | 108,894 | $ 11.60 |
| Granted | 78,978 | $ 15.24 | 52,151 | $ 17.40 |
| Shares earned above target [(a)] | 723 | $ 17.00 | 24,486 | $ 10.00 |
| Vested | (55,451) | $ 15.19 | (125,645) | $ 11.90 |
| Forfeited | (15,090) | $ 15.38 | (752) | $ 10.00 |
| Unvested restricted stock units at June 30, | 66,933 | $ 15.22 | 59,134 | $ 15.50 |

(a) The number of shares earned above target are based on the performance target established by the Compensation Committee at the initial grant date.

## NOTE 7 – INCOME TAXES

### Income Tax Provision

The Company is subject to the provisions of the Tax Act. The Tax Act reduced the corporate income tax rate and transitioned from a worldwide corporate tax system to a modified territorial corporate tax system. The main provisions of the Tax Act affecting the Company in 2019 and 2018 include a reduced U.S. federal tax rate and a tax on global intangible low-taxed income ("GILTI"). The Company accounts for GILTI in the period in which it is incurred. The impact of the Tax Act on the Company's effective tax rate in 2019 and 2018 is effectively eliminated by utilization of the Company's tax losses subject to full valuation allowances.

Under ASC 270, "Interim Reporting", and ASC 740-270, "Income Taxes – Intra Period Tax Allocation", the Company is required to adjust its effective tax rate for each quarter to be consistent with the estimated annual effective tax rate. Jurisdictions with a projected loss for the full year where no tax benefit can be recognized are excluded from the calculation of the estimated annual effective tax rate. Applying the provisions of ASC 270 and ASC 740-270 could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

### Effective Tax Rate

The provision for income taxes for the six months ended June 30, 2019 was $207 on a pre-tax loss from continuing operations of $2,464, compared to a provision for income taxes of $281 on pre-tax loss from continuing operations of $3,969 for the same period in 2018. The Company's effective income tax rate was negative 8.4% and negative 7.1% for the six months ended June 30, 2019 and 2018, respectively. For the six months ended June 30, 2019 and 2018, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to state income taxes, changes in valuation allowances in the U.S. and certain foreign jurisdictions which reduces or eliminates the effective tax rate on current year profits or losses, variations from the U.S. Federal statutory rate in foreign jurisdictions, taxes on repatriations or deemed repatriation of foreign profits, and non-deductible expenses.

### Uncertain Tax Positions

As of June 30, 2019 and December 31, 2018, the Company had $2,084 and $1,982, respectively, of unrecognized tax benefits, including interest and penalties, which if recognized in the future, would lower the Company's annual effective income tax rate.

Accrued interest and penalties were $686 and $588 as of June 30, 2019 and December 31, 2018, respectively. Estimated interest and penalties are classified as part of the provision for income taxes in the Company's Condensed Consolidated

**HUDSON GLOBAL, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(in thousands, except share and per share amounts)**
**(unaudited)**

Statement of Operations and totaled to a provision of $82 and $28 for the six months ended June 30, 2019 and 2018, respectively.

In many cases, the Company’s unrecognized tax benefits are related to tax years that remain subject to examination by the relevant tax authorities. Tax years with net operating losses ("NOLs") remain open until such losses expire or until the statutes of limitations for those years when the NOLs are used expire. As of June 30, 2019, the Company's open tax years, which remain subject to examination by the relevant tax authorities, were principally as follows:

| | **Year** |
|---|---|
| Earliest tax years which remain subject to examination by the relevant tax authorities: | |
| U.S. Federal | 2015 |
| Majority of U.S. state and local jurisdictions | 2014 |
| Australia | 2017 |
| Belgium | 2016 |
| Canada | 2014 |
| Netherlands | 2013 |
| Switzerland | 2014 |
| United Kingdom | 2017 |
| Jurisdictions in Asia | 2018 |

The Company believes that its tax reserves are adequate for all years that remain subject to examination or are currently under examination.

Based on information available as of June 30, 2019, it is reasonably possible that the total amount of unrecognized tax benefits could decrease in the range of $0 to $200 over the next 12 months as a result of projected resolutions of global tax examinations and controversies and potential expirations of the applicable statutes of limitations.

**HUDSON GLOBAL, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(in thousands, except share and per share amounts)**
**(unaudited)**

## NOTE 8 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing the Company’s net income (loss) by the weighted average number of shares outstanding during the period. When the effects are not anti-dilutive, diluted earnings (loss) per share is computed by dividing the Company’s net income (loss) by the weighted average number of shares outstanding and the impact of all dilutive potential common shares, primarily stock options "in-the-money", unvested restricted stock, and unvested restricted stock units. The dilutive impact of stock options, unvested restricted stock, and unvested restricted stock units is determined by applying the "treasury stock" method. Performance-based restricted stock awards are included in the computation of diluted earnings per share only to the extent that the underlying performance conditions: (i) are satisfied prior to the end of the reporting period; or (ii) would be satisfied if the end of the reporting period were the end of the related performance period and the result would be dilutive under the treasury stock method. Stock awards subject to vesting or exercisability based on the achievement of market conditions are included in the computation of diluted earnings per share only when the market conditions are met.

A reconciliation of the numerators and denominators of the basic and diluted earnings (loss) per share calculations for the three and six months ended June 30, 2019 and 2018 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (b) | 2019 | 2018 | 2019 | 2018 |
| **Earnings (loss) per share ("EPS"):** | | | | |
| EPS - basic and diluted: | | | | |
| Loss from continuing operations | $ (0.29) | $ (0.42) | $ (0.84) | $ (1.32) |
| Income from discontinued operations | — | — | (0.04) | 4.22 |
| Net (loss) income | $ (0.29) | $ (0.42) | $ (0.88) | $ 2.90 |
| EPS numerator - basic and diluted: | | | | |
| Loss from continuing operations | $ (900) | $ (1,353) | $ (2,671) | $ (4,250) |
| (Loss) income from discontinued operations | — | (11) | (131) | 13,607 |
| Net (loss) income | $ (900) | $ (1,364) | $ (2,802) | $ 9,357 |
| EPS denominator (in thousands): | | | | |
| Weighted average common stock outstanding - basic | 3,082 | 3,228 | 3,184 | 3,221 |
| Common stock equivalents: stock options and restricted stock units (a) | — | — | — | — |
| Weighted average number of common stock outstanding - diluted | 3,082 | 3,228 | 3,184 | 3,221 |

(a) The diluted weighted average number of shares of common stock outstanding did not differ from the basic weighted average number of shares of common stock outstanding because the effects of any potential common stock equivalents (see Note 6 for further details on outstanding stock options and unvested restricted stock units) were anti-dilutive and therefore not included in the calculation of the denominator of dilutive earnings per share.

(b) Earnings per share and weighted average shares outstanding for all periods presented reflect the Company's 1-for-10 reverse stock split, which was effective June 10, 2019.

(in thousands, except share and per share amounts)

The weighted average number of shares outstanding used in the computation of diluted net income (loss) per share for the three and six months ended June 30, 2019 and 2018 did not include the effect of the following potentially outstanding shares of common stock because the effect would have been anti-dilutive:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Unvested restricted stock units | 66,933 | 59,134 | 66,933 | 59,134 |
| Stock options | 5,000 | 10,000 | 5,000 | 10,000 |
| Total | 71,933 | 69,134 | 71,933 | 69,134 |

**NOTE 9 – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH**

Cash, cash equivalents, and restricted cash as reported within the accompanying Condensed Consolidated Balance Sheets as of June 30, 2019 and December 31, 2018 was as follows:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents of continuing operations | $ 28,543 | $ 40,562 |
| Restricted cash included in prepaid and other | 136 | 146 |
| Restricted cash, non-current | 379 | 352 |
| Total cash, cash equivalents, and restricted cash | $ 29,058 | $ 41,060 |

Restricted cash under the caption "Prepaid and other" primarily includes lease and collateral deposits . Restricted cash under the caption "Other assets" primarily include deposits held under a collateral trust agreement, which supports the Company’s workers’ compensation policy, and a bank guarantee for licensing in Switzerland.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Consulting, Employment, and Non-compete Agreements**

The Company has entered into various consulting and employment agreements with certain key members of management. These agreements generally (i) are one year in length, (ii) contain restrictive covenants, (iii) under certain circumstances, provide for compensation and, subject to providing the Company with a release, severance payments, and (iv) are automatically renewed annually unless either party gives sufficient notice of termination.

**Litigation and Complaints**

The Company is subject, from time to time, to various claims, lawsuits, contracts disputes, and other complaints from, for example, clients, candidates, suppliers, landlords for both leased and subleased properties, former and current employees, and regulators or tax authorities arising in the ordinary course of business. The Company routinely monitors claims such as these, and records provisions for losses when the claim becomes probable and the amount due is estimable. Although the outcome of these claims cannot be determined, the Company believes that the final resolution of these matters will not have a material adverse effect on the Company’s financial condition, results of operations or liquidity.

For matters that have reached the threshold of probable and estimable, the Company has established reserves for legal, regulatory, and other contingent liabilities. The legal reserves are included under the caption "Other non-current liabilities" in the Condensed Consolidated Balance Sheets. The Company had no reserves as of June 30, 2019 and December 31, 2018, respectively.

**Resignation of Chief Executive Officer**

As previously disclosed, on April 1, 2018, Stephen A. Nolan gave notice to the Company's Board of Directors of his resignation as Chief Executive Officer and a director of the Company effective as of April 1, 2018. On April 1, 2018, following the resignation of Mr. Nolan, the Board of Directors of the Company appointed Jeffrey E. Eberwein, the Chairman of the Board of Directors, as Chief Executive Officer, and Richard K. Coleman, Jr., a director of the Company, as the Chairman of the Board of Directors. As a result, during the three months ended March 31, 2018, the Company recognized additional compensation expense of $2,024, to its former Chief Executive Officer classified within salaries and related expense in the Company's Condensed Consolidated Statement of Operations.

(in thousands, except share and per share amounts)

**Departure of Chief Financial Officer**

As previously disclosed, on May 31, 2019, the Company and Patrick Lyons determined that Mr. Lyons would leave his positions with the Company effective June 30, 2019. As a result, during the three and six months ended June 30, 2019, the Company recognized compensation expense of $485 to its former Chief Financial Officer classified within salaries and related expense in the Company's Condensed Consolidated Statement of Operations. Additionally, Mr. Lyons has agreed to serve as a consultant to the Company to assist with certain financial and operational matters from July 1, 2019 through December 31, 2019. In consideration for his services as a consultant, the Company will pay Mr. Lyons 750 shares of the Company’s common stock at the end of each month during the term of the Consulting Agreement.

**Operating Leases**

Effective January 1, 2019, the Company adopted the new lease guidelines detailed in ASU 2016-02. The Company's financial position for reporting periods beginning on or after January 1, 2019 are presented under the new guidance, while prior periods amounts are not adjusted and continue to be reported in accordance with previous guidance as provided for in the alternative transition approach under ASU 2018-11. We did not elect to apply the recognition requirements to short-term leases with terms of 12 months or less based on original lease commencement date and instead recognize the lease payments on a straight line basis over the lease term. Adoption of this standard resulted in the recording of net operating lease right-of-use assets and corresponding operating lease liabilities of $0.7 million for rented office spaces.

Our office space leases have remaining lease terms of one year to three years. Some of these operating leases include options to extend the lease terms, and some operating leases include options to terminate the leases earlier than the full terms. These options are considered in our determination of the valuation of our right-of-use assets and lease liabilities.

None of our operating leases include implicit rates, and we have determined that the difference between the contractual cost basis and the present value of lease payments calculated using incremental borrowing rates is not material. Our operating lease costs for the six months ended June 30, 2019 were $271 (reflected in Net cash used in operating activities). The weighted average remaining lease term of our operating leases as of June 30, 2019 was 2.3 years.

Future minimum operating lease payments are as follows:

| | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|
| Minimum lease payments | $ 147 | $ 233 | $ 145 | $ 12 | $ 537 |

**Invoice Finance Credit Facility**

On April 8, 2019, the Company’s Australian subsidiary (“Australian Borrower”) entered into an invoice finance credit facility agreement (the “NAB Facility Agreement”) with National Australia Bank Limited ("NAB"). The NAB Facility Agreement provides the Australian Borrower with the ability to borrow funds based on a percentage of eligible trade receivables sold to NAB up to a maximum of 4 million Australian dollars. No receivables sold to NAB have terms greater than 90 days, and any risk of loss is retained by the Australian Borrower. As amounts are collected from outstanding receivables, additional invoices may be sold to replenish available funds. The interest rate is calculated as the variable receivable finance indicator rate, plus a margin of 1.60% per annum. Borrowings under this facility are secured by substantially all of the assets of the Australian Borrower. The NAB Facility Agreement does not have a stated maturity date and can be terminated by either the Australian Borrower or NAB upon 90 days written notice. As of June 30, 2019, there were no amounts outstanding under the NAB Facility Agreement. Interest expense incurred on the NAB Facility Agreement was $7 for the three and six months ended June 30, 2019.

The NAB Facility Agreement contains various restrictions and covenants including (1) that EBITDA must be at least two times total interest paid on debt on a 12-month rolling basis; (2) minimum tangible net worth must be at least 2.5 million

(in thousands, except share and per share amounts)

Australian dollars and be equal to at least 25% of total tangible assets on June 30 and December 31 (as defined in the NAB Facility Agreement); and (3) additional periodic reporting requirements to NAB. The Company was in compliance with all financial covenants under the NAB Facility Agreement as of June 30, 2019.

## NOTE 11 – ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss, net of applicable tax, consisted of the following:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Foreign currency translation adjustments | $ (647) | $ (606) |
| Accumulated other comprehensive loss | $ (647) | $ (606) |

## NOTE 12 – STOCKHOLDERS' EQUITY

### Common Stock

On July 30, 2015, the Company announced that its Board authorized the repurchase of up to $10,000 of the Company's common stock. The Company intends to make purchases from time to time as market conditions warrant. This authorization does not expire. During the six months ended June 30, 2019, the Company repurchased 26,155 shares on the open market for $384 and repurchased 220 shares on the open market for $3 during the same period last year. As of June 30, 2019, under the July 30, 2015 authorization, the Company had repurchased 404,580 shares for a total cost of $7,963.

In addition to the shares repurchased above under the $10,000 authorization plan, on February 22, 2019, the Company commenced a tender offer to purchase up to 315,000 shares of the Company’s common stock, par value $0.001 per share, at a purchase price of $15.00 per share. The tender offer expired on Friday, March 22, 2019. In accordance with the terms and conditions of the tender offer, the Company acquired 246,863 shares for an aggregate cost of $3,703, excluding fees and expenses of $125.

### Reverse Stock Split

On June 10, 2019, the Company announced a Reverse Split of its outstanding shares of common stock at a ratio of 1-for-10 and that it had also reduced the number of authorized shares of common stock to 20 million shares. The Reverse Split had no effect on the par value of the Company's common stock but it reduced the number of issued and outstanding shares of common stock by a factor of 10. All issued and outstanding shares, stock-based compensation disclosures, net loss per share, and other share and per share disclosures for all periods presented have been retrospectively adjusted to reflect the impact of this Reverse Split.

(in thousands, except share and per share amounts)

## NOTE 13 – SEGMENT AND GEOGRAPHIC DATA

### Segment Reporting

The Company operates in three reportable segments: the Hudson regional businesses of Hudson Americas, Hudson Asia Pacific, and Hudson Europe. Corporate expenses are reported separately from the three reportable segments and pertain to certain functions, such as executive management, corporate governance, human resources, accounting, administration, tax, and treasury. Segment information is presented in accordance with ASC 280, "*Segment Reporting.*" This standard is based on a management approach that requires segmentation based upon the Company's internal organization and disclosure of revenue and certain expenses based upon internal accounting methods. The Company's financial reporting systems present various data for management to run the business, including internal profit and loss statements prepared on a basis not consistent with U.S. GAAP. Accounts receivable, net and long-lived assets are the only significant assets separated by segment for internal reporting purposes. The following information is presented net of discontinued operations. For more information see Note 5.

| | Hudson Americas | Hudson Asia Pacific | Hudson Europe | Corporate | Inter-Segment Elimination | Total |
|---|---|---|---|---|---|---|
| ***For The Three Months Ended June 30, 2019*** | | | | | | |
| Revenue, from external customers | $ 3,982 | $ 17,454 | $ 4,978 | $ — | $ — | $ 26,414 |
| Inter-segment revenue | 28 | — | 2 | — | (30) | — |
| Total revenue | $ 4,010 | $ 17,454 | $ 4,980 | $ — | $ (30) | $ 26,414 |
| Gross profit, from external customers | $ 3,591 | $ 5,420 | $ 2,648 | $ — | $ — | $ 11,659 |
| Inter-segment gross profit | 26 | (28) | 3 | — | (1) | — |
| Total gross profit | $ 3,617 | $ 5,392 | $ 2,651 | $ — | $ (1) | $ 11,659 |
| EBITDA (loss) [(a)] | $ 428 | $ 362 | $ 31 | $ (1,683) | $ — | $ (862) |
| Depreciation and amortization | 4 | 10 | 6 | 1 | — | 21 |
| Intercompany interest (expense) income, net | — | (100) | — | 100 | — | — |
| Interest income, net | — | — | — | 125 | — | 125 |
| Income (loss) from continuing operations before income taxes | $ 424 | $ 252 | $ 25 | $ (1,459) | $ — | $ (758) |
| | | | | | | |
| ***For The Six Months Ended June 30, 2019*** | | | | | | |
| Revenue, from external customers | $ 7,122 | $ 26,133 | $ 9,346 | $ — | $ — | $ 42,601 |
| Inter-segment revenue | 63 | | 3 | — | (66) | — |
| Total revenue | $ 7,185 | $ 26,133 | $ 9,349 | $ — | $ (66) | $ 42,601 |
| Gross profit, from external customers | $ 6,353 | $ 10,010 | $ 4,692 | $ — | $ — | $ 21,055 |
| Inter-segment gross profit | 61 | (58) | 3 | — | (6) | — |
| Total gross profit | $ 6,414 | $ 9,952 | $ 4,695 | $ — | $ (6) | $ 21,055 |
| EBITDA (loss) [(a)] | $ 14 | $ 314 | $ (317) | $ (2,874) | $ — | $ (2,863) |
| Depreciation and amortization | 9 | 15 | 13 | 2 | — | 39 |
| Intercompany interest (expense) income, net | — | (201) | — | 201 | — | — |
| Interest income, net | — | — | — | 438 | — | 438 |
| Income (loss) from continuing operations before income taxes | $ 5 | $ 98 | $ (330) | $ (2,237) | $ — | $ (2,464) |
| | | | | | | |
| ***As of June 30, 2019*** | | | | | | |
| Accounts receivable, net | $ 3,336 | $ 8,106 | $ 3,005 | $ (65) | $ — | $ 14,382 |
| Total assets | $ 4,742 | $ 11,654 | $ 6,674 | $ 23,063 | $ — | $ 46,133 |

**HUDSON GLOBAL, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(in thousands, except share and per share amounts)**
**(unaudited)**

| | Hudson Americas | Hudson Asia Pacific | Hudson Europe | Corporate | Inter-Segment Elimination | Total |
|---|---|---|---|---|---|---|
| ***For The Three Months Ended June 30, 2018*** | | | | | | |
| Total revenue | $ 3,509 | $ 9,600 | $ 3,906 | $ — | $ — | $ 17,015 |
| Total gross profit | $ 2,923 | $ 5,759 | $ 2,119 | $ — | $ — | $ 10,801 |
| EBITDA (loss) [(a)] | $ (76) | $ 508 | $ 34 | $ (1,768) | | $ (1,302) |
| Depreciation and amortization | — | — | 2 | — | $ — | 2 |
| Intercompany interest (expense) income, net | — | (108) | — | 108 | $ — | — |
| Interest income, net | — | — | — | 60 | $ — | 60 |
| Income (loss) from continuing operations before income taxes | $ (76) | $ 400 | $ 32 | $ (1,600) | $ — | $ (1,244) |
| ***For The Six Months Ended June 30, 2018*** | | | | | | |
| Total revenue | $ 7,209 | $ 18,425 | $ 7,596 | $ — | $ — | $ 33,230 |
| Total gross profit | $ 6,046 | $ 10,682 | $ 4,227 | $ — | $ — | $ 20,955 |
| EBITDA (loss) [(a)] | $ 215 | $ 1,052 | $ 45 | $ (5,339) | | $ (4,027) |
| Depreciation and amortization | — | — | 2 | — | — | 2 |
| Intercompany interest (expense) income, net | — | (108) | — | 108 | — | — |
| Interest income, net | — | — | — | 60 | — | 60 |
| Income (loss) from continuing operations before income taxes | $ 215 | $ 944 | $ 43 | $ (5,171) | $ — | $ (3,969) |
| ***As of June 30, 2018*** | | | | | | |
| Accounts receivable, net | $ 2,605 | $ 6,787 | $ 4,803 | $ 6 | $ — | $ 14,201 |
| Total assets | $ 4,618 | $ 9,863 | $ 8,643 | $ 31,398 | $ — | $ 54,522 |

(a) SEC Regulation S-K Item 229.10(e)1(ii)(A) defines EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA is presented to provide additional information to investors about the Company's operations on a basis consistent with the measures that the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income and net income prepared in accordance with U.S. GAAP or as a measure of the Company's profitability.

(in thousands, except share and per share amounts)

### Geographic Data Reporting

A summary of revenues for the three and six months ended June 30, 2019 and 2018 and long-lived assets and net assets by geographic area as of June 30, 2019 and 2018, presented net of discontinued operations, were as follows:

| | United Kingdom | Australia | United States | Other | Total |
|---|---|---|---|---|---|
| **For The Three Months Ended June 30, 2019** | | | | | |
| Revenue [(a)] | $ 4,488 | $ 15,289 | $ 3,689 | $ 2,948 | $ 26,414 |
| **For The Three Months Ended June 30, 2018** | | | | | |
| Revenue [(a)] | $ 3,829 | $ 8,476 | $ 3,281 | $ 1,429 | $ 17,015 |
| **For The Six Months Ended June 30, 2019** | | | | | |
| Revenue [(a)] | $ 8,499 | $ 22,057 | $ 6,540 | $ 5,505 | $ 42,601 |
| **For The Six Months Ended June 30, 2018** | | | | | |
| Revenue [(a)] | $ 7,364 | $ 16,115 | $ 6,815 | $ 2,936 | $ 33,230 |
| **As of June 30, 2019** | | | | | |
| Net assets | $ 2,447 | $ 3,745 | $ 22,862 | $ 4,970 | $ 34,024 |
| **As of June 30, 2018** | | | | | |
| Net assets | $ 3,538 | $ 3,414 | $ 30,069 | $ 5,238 | $ 42,259 |

(a) Revenue by geographic region disclosed above is net of any inter-segment revenue and, therefore, represents only revenue from external customers according to the location of the operating subsidiary.

### NOTE 14 – STOCKHOLDER RIGHTS PLAN

On October 15, 2018, the Company's Board declared a dividend to the Company's stockholders of record as of the close of business on October 25, 2018 (the "Record Date"), for each outstanding share of the Company's common stock, of one right (a "Right") to purchase one one-hundredth of a share of a new series of participating preferred stock of the Company. The terms of the Rights are set forth in the Rights Agreement, dated as of October 15, 2018 (the "Rights Agreement"), by and between the Company and Computershare Trust Company, N.A., as rights agent. The Company's stockholders approved the Rights Agreement at the Company's 2019 annual meeting of stockholders held on May 6, 2019. Each Right allows its holder to purchase from the Company one one-hundredth of a share of the Company's Series B Junior Participating Preferred Stock ("Series B Preferred Stock") for a purchase price of $3.50. Each fractional share of Series B Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of common stock. Prior to exercise, however, a Right does not give its holder any dividend, voting or liquidation rights.

The Board entered into the Rights Agreement in an effort to preserve the value of the Company's significant U.S. NOLs and other tax benefits. The Company's ability to utilize its NOLs may be substantially limited if the Company experiences an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). In general, an "ownership change" would occur if the percentage of the Company's ownership by one or more "5-percent shareholders" (as defined in the Code) increases by more than 50 percent over the lowest percentage owned by such stockholders at any time during the prior three years. The Rights Agreement is designed to preserve the Company's tax benefits by deterring transfers of common stock that could result in an "ownership change" under Section 382 of the Code.

The Rights Agreement replaced the Company's prior rights agreement designed to preserve the value of the Company's NOLs, which was approved by stockholders in 2015 and expired in accordance with its terms in January 2018. The Company also has a provision in its Amended and Restated Certificate of Incorporation (the "Charter Provision") which generally prohibits transfers of its common stock that could result in an ownership change. The Company believes that in light of the significant amount of the NOLs, it is advisable to adopt the Rights Agreement in addition to the Charter Provision. In general terms, the Rights Agreement imposes a significant penalty upon any person or group that acquires beneficial ownership (as defined under the Rights Agreement) of 4.99% or more of the outstanding common stock without the prior approval of the Board (an "Acquiring Person"). Any Rights held by an Acquiring Person are void and may not be exercised.

The Rights will not be exercisable until the earlier of (i) 10 days after a public announcement by the Company that a person or group has become an Acquiring Person; and (ii) 10 business days (or a later date determined by the Board) after a person or group begins a tender or an exchange offer that, if completed, would result in that person or group becoming an Acquiring Person.

Until the date that the Rights become exercisable (the "Distribution Date"), common stock certificates will also evidence the Rights and will contain a notation to that effect. Any transfer of shares of common stock prior to the Distribution Date will constitute a transfer of the associated Rights. After the Distribution Date, the Rights will separate from the common stock and be evidenced by Right certificates, which the Company will mail to all holders of Rights that have not become void. After the Distribution Date, if a person or group already is or becomes an Acquiring Person, all holders of Rights, except the Acquiring Person, may exercise their Rights upon payment of the purchase price to purchase shares of common stock (or other securities or assets as determined by the Board) with a market value of two times the purchase price (a "Flip-in Event"). After the Distribution Date, if a Flip-in Event has already occurred and the Company is acquired in a merger or similar transaction, all holders of Rights, except the Acquiring Person, may exercise their Rights upon payment of the purchase price, to purchase shares of the acquiring or other appropriate entity with a market value of two times the purchase price of the Rights. Rights may be exercised to purchase Series B Preferred Stock only after the Distribution Date occurs and prior to the occurrence of a Flip-in Event as described above. A Distribution Date resulting from the commencement of a tender offer or an exchange offer as described in the second bullet point above could precede the occurrence of a Flip-in Event, in which case the Rights could be exercised to purchase Series B Preferred Stock. A Distribution Date resulting from any occurrence described in the first bullet point above would necessarily follow the occurrence of a Flip-in Event, in which case the Rights could be exercised to purchase shares of common stock (or other securities or assets) as described above.

The Rights Agreement grants discretion to the Board to designate a person as an "Exempt Person" or to designate a transaction involving common stock as an "Exempt Transaction." An "Exempt Person" cannot become an Acquiring Person under the Rights Agreement. The Board can revoke an "Exempt Person" designation if it subsequently makes a contrary determination regarding whether a transaction by such person may jeopardize the availability of the Company’s tax benefits.
The Rights will expire on the earliest of (i) October 15, 2021, the third anniversary of the date on which the Board authorized and declared a dividend of the Rights, or such earlier date as of which the Board determines that the Rights Agreement is no longer necessary for the preservation of the Company’s tax benefits, (ii) the time at which the Rights are redeemed, (iii) the time at which the Rights are exchanged, (iv) the effective time of the repeal of Section 382 of the Code if the Board determines that the Rights Agreement is no longer necessary for the preservation of the Company’s tax benefits, (v) the first day of a taxable year to which the Board determines that no NOLs or other tax benefits may be carried forward, and (vi) the day following the certification of the voting results of the Company’s 2019 annual meeting of stockholders, if stockholder ratification of the adoption of the Rights Agreement has not been obtained prior to that date.

The Board may redeem all (but not less than all) of the Rights for a redemption price of $0.001 per Right at any time before the later of the Distribution Date and the date of the first public announcement or disclosure by the Company that a person or group has become an Acquiring Person. Once the Rights are redeemed, the right to exercise the Rights will terminate, and the only right of the holders of such Rights will be to receive the redemption price. The redemption price will be adjusted if the Company declares a stock split or issues a stock dividend on common stock. After the later of the Distribution Date and the date of the first public announcement by the Company that a person or group has become an Acquiring Person, but before an Acquiring Person owns 50% or more of the outstanding common stock, the Board may exchange each Right (other than Rights that have become void) for one share of common stock or an equivalent security.

The Board may adjust the purchase price of the Series B Preferred Stock, the number of shares of Series B Preferred Stock issuable and the number of outstanding Rights to prevent dilution that may occur as a result of certain events, including, among others, a stock dividend, a stock split or a reclassification of the Series B Preferred Stock or common stock. No adjustments to the purchase price of less than one percent will be made.

Before the time the Rights cease to be redeemable, the Board may amend or supplement the Rights Agreement without the consent of the holders of the Rights, except that no amendment may decrease the redemption price below $0.001 per Right. At any time thereafter, the Board may amend or supplement the Rights Agreement to cure an ambiguity, to alter time period provisions, to correct inconsistent provisions or to make any additional changes to the Rights Agreement, but only to the extent that those changes do not impair or adversely affect the interests of the holders of Rights and do not result in the Rights again becoming redeemable. The limitations on the Board’s ability to amend the Rights Agreement does not affect the Board’s power or ability to take any other action that is consistent with its fiduciary duties, including, without limitation, accelerating or extending the expiration date of the Rights, or making any amendment to the Rights Agreement that is permitted by the Rights Agreement or adopting a new rights agreement with such terms as the Board determines in its sole discretion to be appropriate.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Condensed Consolidated Financial Statements and the notes thereto, included in Part I of this Form 10-Q. The reader should also refer to the Condensed Consolidated Financial Statements and notes of Hudson Global, Inc. and its subsidiaries (the "Company") filed in its Annual Report on Form 10-K for the year ended December 31, 2018. This MD&A contains forward-looking statements. Please see "FORWARD-LOOKING STATEMENTS" for a discussion of the uncertainties, risks and assumptions associated with these statements. This MD&A also uses the non-generally accepted accounting principle measure of earnings before interest, taxes, depreciation and amortization ("EBITDA"). See Note* 13 to *the Condensed Consolidated Financial Statements of this Form 10-Q for EBITDA segment reconciliation information. The tables and information in this MD&A were derived from exact numbers and may have immaterial rounding differences.*

This MD&A includes the following sections:

- Executive Overview
- Results of Operations
- Liquidity and Capital Resources
- Contingencies
- Recent Accounting Pronouncements
- Critical Accounting Policies
- Forward-Looking Statements

**Executive Overview**

Prior to the second quarter of 2018, the Company’s core service offerings included Permanent Recruitment, Contracting, and Talent Management Solutions (collectively, Recruitment and Talent Management or "RTM"), as well as Recruitment Process Outsourcing ("RPO"). On March 31, 2018, the Company completed the sale of its RTM businesses in Belgium, Europe (excluding Belgium), and Asia Pacific ("APAC") in separate transactions (the "Sales Transactions") to Value Plus NV, Morgan Philips Group S.A., and Apache Group Holdings Pty Limited, respectively. The RTM businesses met the criteria for discontinued operations. The proceeds from the sale were $39.0 million, or $28.0 million net of cash and restricted cash sold of $9.5 million, and transaction costs of $1.6 million. Debt assumed in the Sales Transactions by the buyers was $17.6 million.

The finalization of these transactions aligns the Company’s strategy to focus going forward on RPO solutions globally. With direct operations in nine countries and relationships with specialized professionals and organizations around the globe, the Company brings a strong ability to match talent with opportunities by assessing, recruiting, developing, and engaging the best and brightest people for the Company's clients. The Company combines broad geographic presence, world-class talent solutions and a tailored, consultative approach to help businesses, and professionals achieve maximum performance. The Company's focus is to continually upgrade its service offerings and delivery capability tools to make candidates more successful in achieving its clients' business requirements.

The Company’s proprietary frameworks, assessment tools and leadership development programs, coupled with its broad geographic footprint allows the Company to design and implement regional and global outsourced recruitment solutions that the Company believes greatly enhance the quality and efficiency of its clients' hiring.

To accelerate the implementation of the Company's strategy, the Company engaged in the following initiatives:

- Facilitating growth and development of the global RPO business through strategic investments in people, innovation and technology.
- Building and differentiating the Company's brand through its unique outsourcing solutions offerings.
- Improving the Company’s cost structure and efficiency of its support functions and infrastructure.

This MD&A discusses the results of the Company’s RPO businesses for the three and six months ended June 30, 2019 and 2018, and excludes the results of the Company’s RTM businesses, which, as discussed in Note 5 to the Condensed Consolidated Financial Statements are reported in discontinued operations.

***Current Market Conditions***

Economic conditions in most of the world's major markets have remained stable since 2018, although global growth continues to be projected to slow slightly in 2019 compared to the prior year. In the U.K., uncertainty around the 2016 referendum to exit the European Union (commonly referred to as "Brexit") continues to impact global markets, including currencies, and has resulted in increased volatility in the value of the British pound as compared to the U.S. dollar. A weaker British pound compared to the U.S. dollar during a reporting period causes local currency results of the Company's U.K. operations to be translated into fewer U.S. dollars. The Company's U.K. operations, future financial performance, and translation of results may be affected, in part, by the outcome of tariff, trade, regulatory, and other negotiations as the U.K. negotiates its exit from the European Union. In China, efforts to increase fiscal and monetary stimuli to counter the impact of tariffs is expected to lead to growth.

The Company closely monitors the economic environment and business climate in its markets and responds accordingly. At this time, the Company is unable to accurately predict the outcome of these events or changes in general economic and political conditions and their effect on the demand for the Company's services.

***Financial Performance***

The Company achieved mixed financial performance for the second quarter of 2019 in the markets in which it operates. On a constant currency basis, for the three months ended June 30, 2019, revenue increased by $9.9 million, or 59.7%, and gross profit increased by $1.4 million or 13.2%, compared to the same period in 2018.

The changes in revenue were driven by strong results across all reportable segments.

The following is a summary of the highlights for the three and six months ended June 30, 2019 and 2018. This summary should be considered in the context of the additional disclosures in this MD&A which further highlight the results by segment.

- Revenue was $26.4 million for the three months ended June 30, 2019, compared to $17.0 million for the same period in 2018, for a increase of 55.2%.
    - On a constant currency basis, the Company's revenue increased $9.9 million, or 59.7%, primarily due to an increase of $9.2 million in RPO contracting revenue (up 169.4% compared to the same period in 2018). RPO recruitment revenue also contributed $0.6 million (up 5.7%) compared to the same period in 2018.
- Revenue was $42.6 million for the six months ended June 30, 2019, compared to $33.2 million for the same period in 2018, an increase of $9.4 million, or 28.2%.
    - On a constant currency basis, the Company's revenue increased $11.2 million, or 35.8%, due to an increase of $12.1 million in RPO contracting revenue (up 131.8% compared to the same period in 2018) partially offset by a decrease of $0.9 million in RPO recruitment revenue (down 4.0% compared to the same period in 2018).
- Gross profit was $11.7 million for the three months ended June 30, 2019, compared to $10.8 million for the same period in 2018, an increase of $0.9 million, or 7.9%.
    - On a constant currency basis, gross profit increased $1.4 million or 13.2% due to a increase of $1.3 million in RPO recruitment gross profit (up 13.6% compared to the same period in 2018), and a slight increase in RPO contracting gross profit (up 7.2% compared to the same period in 2018).
- Gross profit was $21.1 million for the six months ended June 30, 2019, compared to $21.0 million for the same period in 2018, an increase of $0.1 million, or 0.5%.
    - On a constant currency basis, gross profit increased $1.1 million, or 5.7%, mainly due to a increase of $0.9 million in RPO recruitment gross profit (up 4.9% compared to the same period in 2018) and an increase of $0.2 million in RPO contracting gross profit (up 20.2% compared to the same period in 2018).

- Selling, general and administrative expenses (including salaries and related expenses) and other non-operating income (expense) ("SG&A and Non-Op") were $12.5 million for the three months ended June 30, 2019, compared to $12.1 million for the same period in 2018, an increase of $0.4 million, or 3.4%.
    - On a constant currency basis, SG&A and Non-Op increased $0.8 million, or 7.2%. SG&A and Non-Op, as a percentage of revenue, was 47.4% for the three months ended June 30, 2019, compared to 70.6% for the same period in 2018.
- SG&A and Non-Op were $23.9 million for the six months ended June 30, 2019, compared to $25.0 million for the same period in 2018, a decrease of $1.1 million, or 4.3%.
    - On a constant currency basis, SG&A and Non-Op a decreased of $0.1 million, or 0.4%. SG&A and Non-Op, as a percentage of revenue, were 56.1% for the six months ended June 30, 2019, compared to 76.6% for the same period in 2018.
- EBITDA loss was $0.9 million for the three months ended June 30, 2019, compared to EBITDA loss of $1.3 million for the same period in 2018, a decrease in EBITDA loss of $0.4 million. On a constant currency basis, EBITDA loss decreased $0.5 million.
- EBITDA loss was $2.9 million for the six months ended June 30, 2019, compared to EBITDA loss of $4.0 million for the same period in 2018, a decrease in EBITDA loss of $1.2 million. On a constant currency basis, EBITDA loss decreased $1.2 million.
- Net loss was $0.9 million for the three months ended June 30, 2019, compared to net loss of $1.4 million for the same period in 2018, a decrease in net loss of $0.5 million. On a constant currency basis, net loss decreased $0.6 million.
- Net loss was $2.8 million for the six months ended June 30, 2019, compared to net income of $9.4 million for the same period in 2018, a decrease in net income of $12.2 million. On a constant currency basis, net income decreased $14.7 million.

***Constant Currency***

The Company operates on a global basis, with the majority of its gross profit generated outside of the U.S. Accordingly, fluctuations in foreign currency exchange rates can affect the Company's results of operations. For the discussion of reportable segment results of operations, the Company uses constant currency information. Constant currency compares financial results between periods as if exchange rates had remained constant period-over-period. The Company 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. The Company’s management reviews and analyzes business results in constant currency and believes these results better represent the Company’s underlying business trends. Changes in foreign currency exchange rates generally impact only reported earnings.

Changes in revenue, gross profit, SG&A and Non-Op, operating income (loss), net income (loss), and EBITDA (loss) from continuing operations include the effect of changes in foreign currency exchange rates. The tables below summarize the impact of foreign currency exchange adjustments on the Company’s operating results for the three and six months ended June 30, 2019 and 2018.

| $ in thousands | Three Months Ended June 30, 2019 As reported | 2018 As reported | 2018 Currency translation | 2018 Constant currency | Six Months Ended June 30, 2019 As reported | 2018 As reported | 2018 Currency translation | 2018 Constant currency |
|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | |
| Hudson Americas | $ 3,982 | $ 3,509 | $ (8) | $ 3,501 | $ 7,122 | $ 7,209 | $ (15) | $ 7,194 |
| Hudson Asia Pacific | 17,454 | 9,600 | (270) | 9,330 | 26,133 | 18,425 | (1,404) | 17,021 |
| Hudson Europe | 4,978 | 3,906 | (201) | 3,705 | 9,346 | 7,596 | (448) | 7,148 |
| Total | $ 26,414 | $ 17,015 | $ (479) | $ 16,536 | $ 42,601 | $ 33,230 | $ (1,867) | $ 31,363 |
| Gross profit: | | | | | | | | |
| Hudson Americas | $ 3,591 | $ 2,923 | $ (7) | $ 2,916 | $ 6,353 | $ 6,046 | $ (11) | $ 6,035 |
| Hudson Asia Pacific | 5,420 | 5,759 | (310) | 5,449 | 10,010 | 10,682 | (762) | 9,920 |
| Hudson Europe | 2,648 | 2,119 | (187) | 1,932 | 4,692 | 4,227 | (252) | 3,975 |
| Total | $ 11,659 | $ 10,801 | $ (504) | $ 10,297 | $ 21,055 | $ 20,955 | $ (1,025) | $ 19,930 |
| SG&A and Non-Op [(a)]: | | | | | | | | |
| Hudson Americas | $ 3,189 | $ 2,999 | $ (7) | $ 2,992 | $ 6,400 | $ 5,831 | $ (15) | $ 5,816 |
| Hudson Asia Pacific | 5,028 | 5,248 | (249) | 4,999 | 9,637 | 9,626 | (705) | 8,921 |
| Hudson Europe | 2,618 | 2,083 | (170) | 1,913 | 5,011 | 4,182 | (255) | 3,927 |
| Corporate | 1,686 | 1,774 | (3) | 1,771 | 2,870 | 5,343 | 2 | 5,345 |
| Total | $ 12,521 | $ 12,104 | $ (429) | $ 11,675 | $ 23,918 | $ 24,982 | $ (973) | $ 24,009 |
| Operating income (loss): | | | | | | | | |
| Hudson Americas | $ 590 | $ 132 | $ — | $ 132 | $ 293 | $ 475 | $ — | $ 475 |
| Hudson Asia Pacific | 683 | 853 | (85) | 768 | 843 | 1,473 | (85) | 1,388 |
| Hudson Europe | 136 | 180 | (30) | 150 | (66) | 232 | (10) | 222 |
| Corporate | (2,201) | (2,424) | — | (2,424) | (3,844) | (6,097) | (1) | (6,098) |
| Total | $ (792) | $ (1,259) | $ (115) | $ (1,374) | $ (2,774) | $ (3,917) | $ (96) | $ (4,013) |
| Net (loss) income, consolidated | $ (900) | $ (1,364) | $ (163) | $ (1,527) | $ (2,802) | $ 9,357 | $ 2,531 | $ 11,888 |
| EBITDA (loss) from continuing operations [(b)]: | | | | | | | | |
| Hudson Americas | $ 428 | $ (76) | $ 1 | $ (75) | $ 14 | $ 215 | $ 1 | $ 216 |
| Hudson Asia Pacific | 362 | 508 | (62) | 446 | 314 | 1,052 | (54) | 998 |
| Hudson Europe | 31 | 34 | (17) | 17 | (317) | 45 | 5 | 50 |
| Corporate | (1,683) | (1,768) | (3) | (1,771) | (2,874) | (5,339) | (5) | (5,344) |
| Total | $ (862) | $ (1,302) | $ (81) | $ (1,383) | $ (2,863) | $ (4,027) | $ (53) | $ (4,080) |

(a) SG&A and Non-Op is a measure that management uses to evaluate the segments' expenses, which include the following captions on the Condensed Consolidated Statement of Operations: Salaries and related, other selling, general and administrative, and other income (expense), net. Corporate management service allocations are included in the segments' other income (expense).

(b) See EBITDA reconciliation in the following section.

***Use of EBITDA (Non-GAAP measure)***

Management believes EBITDA is a meaningful indicator of the Company’s performance that provides useful information to investors regarding the Company’s financial condition and results of operations. Management also considers EBITDA to be the best indicator of operating performance and most comparable measure across the regions in which the Company operates. Management also uses this measure to evaluate capital needs and working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income, or net income prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") or as a measure of the Company’s profitability. EBITDA is derived from net income (loss) adjusted for the provision for (benefit from) income taxes, interest expense (income), and depreciation and amortization.

The reconciliation of EBITDA to the most directly comparable GAAP financial measure is provided in the table below:

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| $ in thousands | **2019** | **2018** | **2019** | **2018** |
| Net (loss) income | $ (900) | $ (1,364) | $ (2,802) | $ 9,357 |
| Adjustment for (loss) income from discontinued operations, net of income taxes | — | (11) | (131) | 13,607 |
| Loss from continuing operations | (900) | (1,353) | $ (2,671) | $ (4,250) |
| Adjustments to loss from continuing operations | | | | |
| Provision for income taxes | 142 | 109 | 207 | 281 |
| Interest income, net | (125) | (60) | (438) | (60) |
| Depreciation and amortization expense | 21 | 2 | 39 | 2 |
| Total adjustments from net (loss) income to EBITDA loss | 38 | 51 | (192) | 223 |
| EBITDA loss from continuing operations | $ (862) | $ (1,302) | $ (2,863) | $ (4,027) |

**Results of Operations**

***Hudson Americas*** *(reported currency)*

***Revenue***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| $ in millions | 2019 As reported | 2018 As reported | Change in amount | Change in % | 2019 As reported | 2018 As reported | Change in amount | Change in % |
| Hudson Americas | | | | | | | | |
| Revenue | $ 4.0 | $ 3.5 | $ 0.5 | 13.5% | $ 7.1 | $ 7.2 | $ (0.1) | (1.2)% |

For the three months ended June 30, 2019, RPO recruitment revenue increased by $0.7 million, or 24.1%, and RPO contracting revenue declined by $0.2 million, or 39.9%. The increase in RPO recruitment revenue was attributable to growth of existing RPO clients and new client wins.

For the six months ended June 30, 2019, RPO contracting revenue decreased by $0.4 million, or 41.1%, mainly offset by an increase in RPO recruitment revenue of $0.4 million, or 6.9%, as compared to the same period in 2018.

***Gross Profit***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| $ in millions | 2019 As reported | 2018 As reported | Change in amount | Change in % | 2019 As reported | 2018 As reported | Change in amount | Change in % |
| Hudson Americas | | | | | | | | |
| Gross profit | $ 3.6 | $ 2.9 | $ 0.7 | 22.9% | $ 6.4 | $ 6.0 | $ 0.3 | 5.1% |
| Gross profit as a percentage of revenue | 90.2% | 83.3% | N/A | N/A | 89.2% | 83.9% | N/A | N/A |

For the three months ended June 30, 2019, RPO recruitment gross profit increased by $0.7 million, or 25.8%, partially offset by a slight decrease in RPO contracting gross profit, as compared to the same period in 2018. The increase in RPO recruitment gross profit was due to the same factors noted above for revenue.

For the six months ended June 30, 2019, RPO recruitment gross profit increased $0.4 million, or 6.5%, partially offset by a slight decrease in RPO contracting gross profit as compared to the same period in 2018. The increase in RPO recruitment gross profit was attributable to growth of existing RPO clients.

For the three months ended June 30, 2019, total gross profit as a percentage of revenue was 90.2%, as compared to 83.3% for the same period in 2018. The increase in total gross profit as a percentage of revenue was attributed to the higher mix of RPO recruitment to RPO contracting revenue in 2019 as compared to 2018.

For the six months ended June 30, 2019, total gross profit as a percentage of revenue was 89.2%, as compared to 83.9% for the same period in 2018. The increase in total gross profit as a percentage of revenue was due to the same factors noted above.

***SG&A and Non-Op***

| $ in millions | Three Months Ended June 30, 2019 As reported | 2018 As reported | Change in amount | Change in % | Six Months Ended June 30, 2019 As reported | 2018 As reported | Change in amount | Change in % |
|---|---|---|---|---|---|---|---|---|
| Hudson Americas | | | | | | | | |
| SG&A and Non-Op | $ 3.2 | $ 3.0 | $ 0.2 | 6.3% | $ 6.4 | $ 5.8 | $ 0.6 | 9.8% |
| SG&A and Non-Op as a percentage of revenue | 80.1% | 85.5% | N/A | N/A | 89.9% | 80.9% | N/A | N/A |

For the three months ended June 30, 2019, SG&A and Non-Op increased $0.2 million, or 6.3%, as compared to the same period in 2018 due to investments in the sales team and industry marketing activities.

For the six months ended June 30, 2019, SG&A and Non-Op increased $0.6 million, or 9.8%, as compared to the same period in 2018 due to the factors noted above.

***Operating Income and EBITDA***

| $ in millions | Three Months Ended June 30, 2019 As reported | 2018 As reported | Change in amount | Change in % | Six Months Ended June 30, 2019 As reported | 2018 As reported | Change in amount | Change in % |
|---|---|---|---|---|---|---|---|---|
| Hudson Americas | | | | | | | | |
| Operating income | $ 0.6 | $ 0.1 | $ 0.5 | 347.0% | $ 0.3 | $ 0.5 | $ (0.2) | (38.3)% |
| EBITDA (loss) | $ 0.4 | $ (0.1) | $ 0.5 | 663.2% | $ — | $ 0.2 | $ (0.2) | (93.5)% |
| EBITDA income (loss) as a percentage of revenue | 10.7% | (2.2)% | N/A | N/A | 0.2% | 3.0% | N/A | N/A |

For the three months ended June 30, 2019, EBITDA was $0.4 million, or 10.7% of revenue, as compared to EBITDA (loss) of $0.1 million, or 2.2% of revenue, for the same period in 2018. The increase in EBITDA for the three months ended June 30, 2019 was principally due to the increase in gross profit.

For the six months ended June 30, 2019, EBITDA was $0.0 million, or 0.2% of revenue, as compared to EBITDA of $0.2 million, or 3.0% of revenue, for the same period in 2018. The increase in EBITDA for the three and six months ended June 30, 2019 was principally due to the factor noted above.

***Hudson Asia Pacific*** *(constant currency)*

***Revenue***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | | | **2019** | **2018** | | |
| $ in millions | **As reported** | **Constant currency** | **Change in amount** | **Change in %** | **As reported** | **Constant currency** | **Change in amount** | **Change in %** |
| Hudson Asia Pacific | | | | | | | | |
| Revenue | $ 17.5 | $ 9.3 | $ 8.1 | 87.1% | $ 26.1 | $ 17.0 | $ 9.1 | 53.5% |

For the three months ended June 30, 2019, RPO contracting revenue increased $8.7 million or 260.1%, partially offset by RPO recruitment revenue, which decreased $0.6 million, or 10.4%, as compared to the same period in 2018.

In Australia, revenue increased $7.1 million, or 86.5%, for the three months ended June 30, 2019, as compared to the same period in 2018. An increase in RPO contracting of $8.2 million or 247.9% was partially offset by a decrease in RPO recruitment revenue of $1.1 million or 21.7%. The increase in RPO contracting revenue primarily reflected the implementation of a new contract win while the decrease in RPO recruitment revenue was due to a large client project that was delivered in the first half of 2018.

In Asia, revenue increased $1.1 million, or 96.8%, for the three months ended June 30, 2019, as compared to the same period in 2018. The increase for the three months ended June 30, 2019 was due to higher demand from existing clients.

For the six months ended June 30, 2019, RPO contracting revenue increased by $10.9 million, or 207.0% partially offset by a decrease in RPO recruitment revenue of $1.8 million, or 15.4% as compared to the same period in 2018.

In Australia, revenue increased $7.3 million, or 49.3%, for the six months ended June 30, 2019, as compared to the same period in 2018. The increase was primarily in RPO contracting revenue, which increased by $9.7 million, or 185.0% , partially offset by a decrease in RPO recruitment revenue of $2.4 million or 25.1% for the six months ended June 30, 2019, as compared to the same period in 2018. The movements in revenue for the six months ended June 30, 2019 were a result of the same factors noted above.

In Asia, revenue increased $1.8 million, or 81.1%, for the six months ended June 30, 2019, as compared to the same period in 2018. The increase in revenue for the six months ended June 30, 2019 was a result of a new client win and higher demand from existing clients.

***Gross Profit***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | | | **2019** | **2018** | | |
| $ in millions | **As reported** | **Constant currency** | **Change in amount** | **Change in %** | **As reported** | **Constant currency** | **Change in amount** | **Change in %** |
| Hudson Asia Pacific | | | | | | | | |
| Gross profit | $ 5.4 | $ 5.4 | $ — | (0.6)% | $ 10.0 | $ 9.9 | $ 0.1 | 0.9% |
| Gross profit as a percentage of revenue | 31.1% | 58.4% | N/A | N/A | 38.3% | 58.3% | N/A | N/A |

For the three months ended June 30, 2019, RPO contracting gross profit increased slightly by 8.2%, offset by a slight decrease in RPO recruitment gross profit of 1.7%, as compared to the same period in 2018.

In Australia, gross profit decreased by $0.4 million or 9.9% for the three months ended June 30, 2019, as compared to the same period in 2018. The decrease was primarily in RPO recruitment gross profit of $0.6 million or 14.2% partially offset by an increase in RPO contracting gross profit of $0.2 million or 8.1% for the three months ended June 30, 2019, as compared to the same period in 2018.

In Asia, gross profit increased $0.4 million, or 38.2%, for the three months ended June 30, 2019, as compared to the same period in 2018.

For the six months ended June 30, 2019, RPO contracting gross profit increased by $0.1 million, or 21.6%, partially offset by a decrease in RPO recruitment of $0.1 million or 1.1% as compared to the same period in 2018.

In Australia, gross profit decreased by $0.4 million or 5.7%, for the six months ended June 30, 2019, as compared to the same period in 2018. The decrease was primarily in RPO recruitment gross profit which declined by $0.4 million, or 6.3%, for the six months ended June 30, 2019, as compared to the same period in 2018. This decrease was partially offset by an increase in RPO contracting gross profit of $0.1 million.

In Asia, gross profit increased $0.5 million or 24.3%, for the six months ended June 30, 2019, as compared to the same period in 2018.

Total gross profit as a percentage of revenue was 31.1% for the three months ended June 30, 2019, as compared to 58.4% for the same period in 2018. The decrease in total gross profit as a percentage of revenue was primarily due to the increase in revenue.

Total gross profit as a percentage of revenue was 38.3% for the six months ended June 30, 2019, as compared to 58.3% for the same period in 2018. The decrease in total gross profit as a percentage of revenue was primarily due to the increase in revenue.

***SG&A and Non-Op***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| $ in millions | As reported | Constant currency | Change in amount | Change in % | As reported | Constant currency | Change in amount | Change in % |
| Hudson Asia Pacific | | | | | | | | |
| SG&A and Non-Op | $ 5.0 | $ 5.0 | $ — | 0.6% | $ 9.6 | $ 8.9 | $ 0.7 | 8.0% |
| SG&A and Non-Op as a percentage of revenue | 28.8% | 53.6% | N/A | N/A | 36.9% | 52.4% | N/A | N/A |

For the three months ended June 30, 2019, SG&A and Non-Op increased slightly, or 0.6%, as compared to the same period in 2018.

For the six months ended June 30, 2019, SG&A and Non-Op increased $0.7 million, or 8.0%, as compared to the same period in 2018. The increase was primarily due to higher consultant staff costs and investments in the sales team.

For the three months ended June 30, 2019, SG&A and Non-Op, as a percentage of revenue, was 28.8%, as compared to 53.6% for the same period in 2018. The decrease was principally due to the higher revenue noted above.

For the six months ended June 30, 2019, SG&A and Non-Op, as a percentage of revenue, was 36.9%, as compared to 52.4% for the same period in 2018. The decrease was principally due to the factors noted above.

***Operating Income and EBITDA***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| $ in millions | As reported | Constant currency | Change in amount | Change in % | As reported | Constant currency | Change in amount | Change in % |
| Hudson Asia Pacific | | | | | | | | |
| Operating income | $ 0.7 | $ 0.8 | $ (0.1) | (11.1)% | $ 0.8 | $ 1.4 | $ (0.5) | (39.3)% |
| EBITDA | $ 0.4 | $ 0.4 | $ (0.1) | (18.8)% | $ 0.3 | $ 1.0 | $ (0.7) | (68.5)% |
| EBITDA as a percentage of revenue | 2.1% | 4.8% | N/A | N/A | 1.2% | 5.9% | N/A | N/A |

For the three months ended June 30, 2019, EBITDA was $0.4 million, or 2.1% of revenue, as compared to EBITDA of $0.4 million, or 4.8% of revenue, for the same period in 2018.

For the six months ended June 30, 2019, EBITDA was $0.3 million, or 1.2% of revenue, as compared to EBITDA of $1.0 million, or 5.9% of revenue, for the same period in 2018. The decrease in EBITDA was principally due to the increase in SG&A and Non-Op noted above.

For the three months ended June 30, 2019, operating income was $0.7 million, as compared to operating income of $0.8 million for the same period in 2018.

For the six months ended June 30, 2019, operating income was $0.8 million, as compared to operating income of $1.4 million for the same period in 2018. The decrease in operating income was principally due to the change in EBITDA described above.

***Hudson Europe*** *(constant currency)*

***Revenue***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| $ in millions | As reported | Constant currency | Change in amount | Change in % | As reported | Constant currency | Change in amount | Change in % |
| Hudson Europe | | | | | | | | |
| Revenue | $ 5.0 | $ 3.7 | $ 1.3 | 34.4% | $ 9.3 | $ 7.1 | $ 2.2 | 30.7% |

For the three months ended June 30, 2019, RPO contracting revenue and recruitment revenue increased by $0.7 million, or 46.3% and $0.5 million, or 11.2%, respectively, as compared to the same period in 2018.

In the U.K., for the three months ended June 30, 2019, revenue increased by $0.7 million, or 19.5% as compared to the same period in 2018. The change was driven by an increase in RPO contracting revenue of $0.7 million or 44.7%, as compared to the same period in 2018.

In Continental Europe, total revenue was $0.5 million for the three months ended June 30, 2019, as compared to $0.0 million for the same period in 2018, an increase of $0.5 million. The increase in revenue for the three months ended June 30, 2019 was due to higher demand at existing clients and new contracts.

For the six months ended June 30, 2019, RPO contracting and RPO recruitment increased by $1.7 million, or 58.4%, and $0.5 million, or 11.2%, respectively, as compared to the same period in 2018.

In the U.K., for the six months ended June 30, 2019, revenue increased by $1.6 million, or 22.7%, to $8.5 million, from $6.9 million for the same period in 2018. For the six months ended June 30, 2019, the increase in the U.K. was driven by an increase in RPO contracting revenue of $1.7 million, or 58.4%, partially offset by a decrease in RPO recruitment of $0.1 million or 2.0% as compared to the same period in 2018.

In Continental Europe, total revenue was $0.8 million for the six months ended June 30, 2019, as compared to $0.2 million for the same period in 2018, for an increase of $0.6 million, or 283.3%, due to higher demand at existing recruitment clients and new contracts.

***Gross Profit***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| $ in millions | As reported | Constant currency | Change in amount | Change in % | As reported | Constant currency | Change in amount | Change in % |
| Hudson Europe | | | | | | | | |
| Gross profit | $ 2.6 | $ 1.9 | $ 0.7 | 37.1% | $ 4.7 | $ 4.0 | $ 0.7 | 18.0% |
| Gross profit as a percentage of revenue | 53.2% | 52.1% | N/A | N/A | 50.2% | 55.6% | N/A | N/A |

For the three months ended June 30, 2019, gross profit increased by $0.7 million or 37.1%, primarily driven by an increase in RPO recruitment of $0.7 million or 36.6%, as compared to the prior year period in 2018.

In the U.K., total gross profit for the three months ended June 30, 2019 increased $0.2 million, or 11.0%, as compared to the same period in 2018. The increase in the U.K. was driven by RPO recruitment and RPO contracting gross profit, which increased by $0.1 million, or 7.2% and $0.0 million, or 44.5%, respectively, as compared to the same period in 2018.

In Continental Europe, for the three months ended June 30, 2019, total gross profit increased $0.5 million, as compared to the same period in 2018, driven by RPO recruitment revenue.

For the six months ended June 30, 2019, RPO recruitment gross profit increased by $0.7 million or 18.0%, driven by RPO contracting and RPO recruitment, which increased by $0.6 million, or 16.7%, and $0.1 million or 40.2%, respectively, as compared to the same period in 2018.

In the U.K., total gross profit for the six months ended June 30, 2019 increased $0.1 million, or 2.8%, as compared to the same period in 2018. The change in the U.K. was primarily driven by an increase in RPO contracting of $0.1 million, or 40.7%, as compared to the same period in 2018.

In Continental Europe, for the six months ended June 30, 2019, total gross profit increased $0.6 million, or 274.2%, as compared to the same period in 2018.

***SG&A and Non-Op***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| $ in millions | As reported | Constant currency | Change in amount | Change in % | As reported | Constant currency | Change in amount | Change in % |
| Hudson Europe | | | | | | | | |
| SG&A and Non-Op | $ 2.6 | $ 1.9 | $ 0.7 | 36.9% | $ 5.0 | $ 3.9 | $ 1.1 | 27.6% |
| SG&A and Non-Op as a percentage of revenue | 52.6% | 51.6% | N/A | N/A | 53.6% | 54.9% | N/A | N/A |

For the three months ended June 30, 2019, SG&A and Non-Op increased $0.7 million, or 36.9%, as compared to the same period in 2018. The increase in SG&A and Non-Op was a result of higher consultant and support staff costs as compared to the prior year.

For the six months ended June 30, 2019, SG&A and Non-Op increased $1.1 million, or 27.6%, as compared to the same period in 2018. The increase in SG&A and Non-Op was due to the same factors noted above.

For the three months ended June 30, 2019, SG&A and Non-Op, as a percentage of revenue, was 52.6%, as compared to 51.6% for the same period in 2018. The increase in SG&A and Non-Op, as a percentage of revenue, for the three months ended June 30, 2019 was primarily due to the increase in support costs partially offset by the growth in revenue noted above.

For the six months ended June 30, 2019, SG&A and Non-Op, as a percentage of revenue, was 53.6%, as compared to 54.9% for the same period in 2018. The decrease in SG&A and Non-Op, as a percentage of revenue, for the six months ended June 30, 2019 was primarily due to the growth in revenue noted above.

***Operating Income and EBITDA***

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| $ in millions | As reported | Constant currency | Change in amount | Change in % | As reported | Constant currency | Change in amount | Change in % |
| Hudson Europe | | | | | | | | |
| Operating income (loss) | $ 0.1 | $ 0.2 | $ — | (9.3)% | $ (0.1) | $ 0.2 | $ (0.3) | (129.7)% |
| EBITDA (loss) | $ — | $ — | $ — | 82.4 % | $ (0.3) | $ 0.1 | $ (0.4) | (734.0)% |
| EBITDA (loss) as a percentage of revenue | 0.6% | 0.5% | N/A | N/A | (3.4)% | 0.7% | N/A | N/A |

For the three months ended June 30, 2019, EBITDA slightly increased to 0.6% of revenue, as compared to EBITDA of 0.5% of revenue for the same period in 2018.

For the six months ended June 30, 2019, EBITDA loss was $0.3 million, or 3.4% of revenue, as compared to EBITDA of $0.1 million, or 0.7% of revenue, for the same period in 2018. The decrease in EBITDA was principally due to the changes in gross profit and SG&A and Non-op.

For the three months ended June 30, 2019, operating income was $0.1 million, as compared to operating income of $0.2 million for the same period in 2018. The decrease was principally due to the increase in SG&A and Non-Op.

For the six months ended June 30, 2019 , operating loss was $0.1 million as compared to operating income of $0.2 million for the same period in 2018. The increase in operating loss was due to the same factors noted above.

***The following are discussed in reported currency***

***Corporate Expenses, Net of Corporate Management Fee Allocations***

Corporate expenses were $1.7 million for the three months ended June 30, 2019, as compared to $1.8 million for the same period in 2018, a decrease of $0.1 million. The decrease for the three months ended June 30, 2019 was primarily due to a decrease in staff costs.

For the six months ended June 30, 2019, corporate expenses were $2.9 million as compared to $5.3 million for the same period in 2018, for an increase of $2.5 million. The decrease for the six months ended June 30, 2019 was primarily a result of additional compensation expense of $2.6 million recognized in the prior year due to severance expense for three corporate executives, partially offset by compensation expense of $0.5 million in the current year for severance expense (see Note 10).

***Depreciation and Amortization Expense***

Depreciation and amortization expense was $0.0 million for the three and six months ended June 30, 2019, as compared to $0.0 million for the same periods in 2018.

***Interest Income, Net***

Interest income was $0.1 million and $0.4 million for the three and six months ended June 30, 2019, as compared to $0.1 million and $0.1 million for the same periods in 2018, respectively.

***Provision for Income Taxes***

The provision for income taxes for the six months ended June 30, 2019 was $0.2 million on $2.5 million of pre-tax loss from continuing operations, as compared to a provision for income tax of $0.3 million on $4.0 million of pre-tax loss from continuing operations for the same period in 2018. The effective tax rates for the six months ended June 30, 2019 and 2018 were negative 8.4% and 7.1%, respectively. For the six months ended June 30, 2019, the effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due state income taxes, changes in valuation allowances in the U.S. and certain foreign jurisdictions which reduces or eliminates the effective tax rate on current year profits or losses, variations from the U.S. Federal statutory rate in foreign jurisdictions, taxes on repatriations or deemed repatriation of foreign profits, and non-deductible expenses.

***Net (Loss) Income***

Net loss was $0.9 million for the three months ended June 30, 2019 as compared to net loss of $1.4 million for the three months ended June 30, 2018. Basic and diluted loss per share were $0.29 for the three months ended June 30, 2019, as compared to basic and diluted loss per share of $0.42 for the same period in 2018.

Net loss was $2.8 million for the six months ended June 30, 2019, as compared to net income of $9.4 million for the same period in 2018, a decrease in net income of $12.2 million. Basic and diluted loss per share were $0.88 for the six months ended June 30, 2019, as compared to basic and diluted income per share of $2.90 for the same period in 2018, primarily reflecting income from discontinued operations of $4.22 per share.

## Liquidity and Capital Resources

As of June 30, 2019, cash and cash equivalents and restricted cash totaled $29.1 million, as compared to $41.1 million as of December 31, 2018. The following table summarizes the Company's cash flow activities for the six months ended June 30, 2019 and 2018:

| | For the Six Months Ended June 30, | |
|---|---|---|
| $ in millions | 2019 | 2018 |
| Net cash used in operating activities | $ (7.7) | $ (18.2) |
| Net cash (used in) provided by investing activities | (0.1) | 27.7 |
| Net cash (used in) provided by financing activities | (4.3) | 7.4 |
| Effect of exchange rates on cash, cash equivalents, and restricted cash | 0.1 | 0.2 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | $ (12.0) | $ 17.1 |

***Cash Flows from Operating Activities***

For the six months ended June 30, 2019, net cash used in operating activities was $7.7 million, as compared to $18.2 million of net cash used in operating activities for the same period in 2018, resulting in a decrease in net cash used in operating activities of $10.5 million. The decrease in net cash used in operating activities resulted principally from more favorable working capital comparisons to the prior year, due to a lower seasonal effect following the divestiture of the RTM businesses in 2018.

***Cash Flows from Investing Activities***

For the six months ended June 30, 2019, net cash used in investing activities was $0.1 million, as compared to $27.7 million of net cash provided by investing activities for the same period in 2018 resulting in a decrease in net cash provided by investing activities of $27.8 million. The decrease in net cash provided by investing activities was due to the sale of the RTM businesses in the prior year.

***Cash Flows from Financing Activities***

For the six months ended June 30, 2019, net cash used in financing activities was $4.3 million, as compared to net provided by financing activities of $7.4 million for the same period in 2018, resulting in a decrease in net cash provided by financing activities of $11.7 million. The increase in net cash used in financing activities was primarily attributable to an increase in net borrowings by subsidiaries prior to disposal of the RTM businesses in 2018, as well as cash paid for shares repurchased of $4.3 million in 2019.

## Invoice Finance Credit Facility

On April 8, 2019, the Company’s Australian subsidiary (“Australian Borrower”) entered into an invoice finance credit facility agreement (the “NAB Facility Agreement”) with National Australia Bank Limited ("NAB"). The NAB Facility Agreement provides the Australian Borrower with the ability to borrow funds based on a percentage of eligible trade receivables sold to NAB up to a maximum of 4 million Australian dollars. No receivables sold to NAB have terms greater than 90 days, and any risk of loss is retained by the Australian Borrower. As amounts are collected from outstanding receivables, additional invoices may be sold to replenish available funds. The interest rate is calculated as the variable receivable finance indicator rate, plus a margin of 1.60% per annum. Borrowings under this facility are secured by substantially all of the assets of the Australian Borrower. The NAB Facility Agreement does not have a stated maturity date and can be terminated by either the Australian Borrower or NAB upon 90 days written notice. As of June 30, 2019, there were no amounts outstanding under the NAB Facility Agreement. Interest expense incurred on the NAB Facility Agreement was $7 for the three and six months ended June 30, 2019. The Company was in compliance with all financial covenants under the NAB Facility Agreement as of June 30, 2019.

**Liquidity Outlook**

As of June 30, 2019, the Company had cash and cash equivalents on hand of $28.5 million, supplemented by additional borrowing availability of $4.0 million under the NAB Facility Agreement, and no long-term debt obligations or other similar long-term liabilities aside from operating lease obligations recorded in connection with the new accounting guidance in ASU 2016-02 (see Note 3). The Company has no financial guarantees, outstanding debt or other lease agreements or arrangements that could trigger a requirement for an early payment or that could change the value of our assets. The Company believes that it has sufficient liquidity to satisfy its needs through at least the next 12 months, based on the Company's financial position as of June 30, 2019. The Company's near-term cash requirements during 2019 are primarily related to funding operations. For the full year 2019, the Company expects to make capital expenditures of less than $0.5 million.

As of June 30, 2019, $23.6 million of the Company's cash and cash equivalents noted above were held in the U.S. and the remainder were held outside the U.S., primarily in Switzerland ($1.4 million), the U.K ($0.8 million), Australia ($0.7 million), China ($0.6 million), and Hong Kong ($0.6 million). The majority of the Company's offshore cash is available to it as a source of funds, net of any tax obligations or assessments.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

**Contingencies**

From time to time in the ordinary course of business, the Company is subject to compliance audits by federal, state, local, and foreign government regulatory, tax, and other authorities relating to a variety of regulations, including wage and hour laws, unemployment taxes, workers' compensation, immigration, and income, value-added, and sales taxes. The Company is also subject to, from time to time in the ordinary course of business, various claims, lawsuits, and other complaints from, for example, clients, candidates, suppliers, landlords for both leased and subleased properties, former and current employees, and regulators or tax authorities. Periodic events and management actions such as business reorganization initiatives can change the number and type of audits, claims, lawsuits, contract disputes, or complaints asserted against the Company. Events can also change the likelihood of assertion and the behavior of third parties to reach resolution regarding such matters.

The economic circumstances in the recent past have given rise to many news reports and bulletins from clients, tax authorities, and other parties about changes in their procedures for audits, payment, plans to challenge existing contracts, and other such matters aimed at being more aggressive in the resolution of such matters in their own favor. The Company believes that it has appropriate procedures in place for identifying and communicating any matters of this type, whether asserted or likely to be asserted, and it evaluates its liabilities in light of the prevailing circumstances. Changes in the behavior of third parties could cause the Company to change its view of the likelihood of a claim and what might constitute a trend. Employment laws vary in the markets in which we operate, and in some cases, employees and former employees have extended periods during which they may bring claims against the Company.

For matters that have reached the threshold of probable and estimable, the Company has established reserves for legal, regulatory, and other contingent liabilities. The Company’s reserves were $0.0 million as of June 30, 2019 and December 31, 2018, respectively. Although the outcome of these matters cannot be determined, the Company believes that none of the currently pending matters, individually or in the aggregate, will have a material adverse effect on the Company’s financial condition, results of operations or liquidity.

**Recent Accounting Pronouncements**

See Note 3 to the Condensed Consolidated Financial Statements included in Part I of this Form 10-Q for a full description of relevant recent accounting pronouncements, including the respective expected dates of adoption.

**Critical Accounting Policies**

See "Critical Accounting Policies" under Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 8, 2019 and incorporated by reference herein. There were no changes to the Company’s critical accounting policies during the three months ended June 30, 2019.

Effective January 1, 2018, we adopted Topic 606, which requires judgment in estimating the transaction price for revenue from contracts with customers. We have reached conclusions on key accounting assessments and estimates related to the impact of the new standard, which are described in Note 4 - "Revenue Recognition" in the Notes to the Condensed Consolidated Financial Statements, included in Part I of this Form 10-Q.

**FORWARD-LOOKING STATEMENTS**

This Form 10-Q 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 Form 10-Q, 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, (1) the Company’s ability to operate successfully as a company focused on its RPO business, (2) global economic fluctuations, (3) the Company's ability to successfully execute its strategic initiatives, (4) risks related to fluctuations in the Company’s operating results from quarter to quarter, (5) the ability of clients' to terminate their relationship with the Company at any time, (6) competition in the Company’s markets, (7) the negative cash flows and operating losses that may recur in the future, (8) risks associated with the Company’s investment strategy, (9) risks related to international operations, including foreign currency fluctuations, (10) the Company’s dependence on key management personnel, (11) the Company’s ability to attract and retain highly-skilled professionals, (12) the Company’s ability to collect its accounts receivable, (13) the Company’s ability to maintain costs at an acceptable level, (14) the Company’s heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (15) risks related to providing uninterrupted service to clients, (16) 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, (17) the Company’s ability to utilize net operating loss carry-forwards, (18) volatility of the Company’s stock price, (19) the impact of government regulations, (20) restrictions imposed by blocking arrangements, (21) risks related to potential acquisitions or dispositions of businesses by the Company, and (22) those risks set forth in "Risk Factors." The foregoing list should not be construed to be exhaustive. Actual results could differ materially from the forward-looking statements contained in this Form 10-Q. In view of these uncertainties, you should not place undue reliance on any forward-looking statements, which are based on our current expectations. These forward-looking statements speak only as of the date of this Form 10-Q. 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.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company conducts operations in various countries and faces both translation and transaction risks related to foreign currency exchange. For the six months ended June 30, 2019, the Company earned approximately 72% of its gross profit from continuing operations outside the U.S., and it collected payments in local currency, and paid related operating expenses in such corresponding local currency. Revenues and expenses in foreign currencies translate into higher or lower revenues and expenses in U.S. dollars as the U.S. dollar weakens or strengthens against other currencies. Therefore, changes in exchange rates may affect our consolidated revenues and expenses (as expressed in U.S. dollars) from foreign operations.

Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income in the stockholders’ equity section of the Condensed Consolidated Balance Sheets. The translation of foreign currency into U.S. dollars is reflected as a component of stockholders' equity and does not impact our reported net income (loss).

The Brexit referendum resulted in a decline in the value of the British pound, as compared to the U.S. dollar. The Company's U.K. operations, future financial performance, and translation of results may be affected, in part, by the outcome of tariff, trade, regulatory, and other negotiations as the U.K. continues to negotiate its exit from the European Union.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Principal Financial Officer, has conducted an evaluation of the design and operation of the Company’s disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Company’s Chief Executive Officer and Principal Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of June 30, 2019.

### Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the six months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings that are incidental to the conduct of its business. The Company is not involved in any pending legal proceeding that it believes would reasonably be expected to have a material adverse effect on its financial condition or results of operations.

### ITEM 1A. RISK FACTORS

As of June 30, 2019, there have not been any material changes to the information set forth in Item 1A. "Risk Factors" disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes purchases of common stock by the Company during the quarter ended June 30, 2019.

| Period | Total Number of Shares Purchased [(a)] | Average Price Paid per Share [(a)] | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [(a)] | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [(b)] |
|---|---|---|---|---|
| April 1, 2019 - April 30, 2019 | 4,019 | $ 16.38 | 4,019 | $ 2,201,010 |
| May 1, 2019 - May 31, 2019 | 7,740 | $ 14.84 | 7,740 | 2,086,113 |
| June 1, 2019 - June 30, 2019 | 3,766 | $ 13.09 | 3,766 | 2,036,800 |
| Total | 15,525 | $ 14.82 | 15,525 | $ 2,036,800 |

(a) Share and per share data reflect the Company's 1-for-10 reverse stock split, which was effective June 10, 2019.

(b) On July 30, 2015, the Company announced that its Board authorized the repurchase of up to $10.0 million of the Company's common stock. The authorization does not expire. See Note 12 for further details. As of June 30, 2019, the Company had repurchased 404,580 shares for a total cost of approximately $8.0 million under this authorization. From time to time, the Company may enter into a Rule 10b5-1 trading plan for purposes of repurchasing common stock under this authorization.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS

**HUDSON GLOBAL, INC.**
**FORM 10-Q**

**EXHIBIT INDEX**

The exhibits to this Form 10-Q are listed in the following Exhibit Index:

| Exhibit No. | Description |
|---|---|
| 3.1 | Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Hudson Global, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 10, 2019). |
| 10.1 | Agreement and Release, dated June 26, 2019, between the Company and Patrick Lyons (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 1, 2019). |
| 10.2 | Consulting Agreement, dated June 27, 2019, between the Company and Patrick Lyons (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 1, 2019). |
| 31.1* | Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 31.2* | Certification by the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 32.1** | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350. |
| 32.2** | Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350. |
| 101* | The following materials from Hudson Global, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2019 and 2018, (ii) the Condensed Consolidated Statement of Other Comprehensive Income (Loss) for the three and six months ended June 30, 2019 and 2018, (iii) the Condensed Consolidated Balance Sheets as of June 30, 2019 and December 31, 2018, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and 2018, (v) the Condensed Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2019, and (vi) Notes to Condensed Consolidated Financial Statements. |

*Filed herewith.

** Furnished, not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HUDSON GLOBAL, INC.
(Registrant)

| | | | |
|---|---|---|---|
| Dated: | August 14, 2019 | By: | /s/ JEFFREY E. EBERWEIN |
| | | | Jeffrey E. Eberwein |
| | | | Chief Executive Officer |
| | | | (Principal Executive Officer) |
| Dated: | August 14, 2019 | By: | /s/ MATTHEW K. DIAMOND |
| | | | Matthew K. Diamond |
| | | | Vice President of Finance |
| | | | (Principal Financial Officer and Principal Accounting Officer) |

**Exhibit 31.1**

**CERTIFICATIONS**

I, Jeffrey E. Eberwein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2019

/s/ JEFFREY E. EBERWEIN

Jeffrey E. Eberwein
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATIONS**

I, Matthew K. Diamond, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | | |
|---|---|---|
| Dated: | August 14, 2019 | /s/ MATTHEW K. DIAMOND |
| | | Matthew K. Diamond |
| | | Principal Financial Officer |

**Exhibit 32.1**

**Written Statement of the Chief Executive Officer**
**Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Executive Officer of Hudson Global, Inc. (the “Company”), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JEFFREY E. EBERWEIN

Jeffrey E. Eberwein
August 14, 2019

**Exhibit 32.2**

**Written Statement of the Principal Financial Officer**
**Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Principal Financial Officer of Hudson Global, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MATTHEW K. DIAMOND

Matthew K. Diamond

August 14, 2019