



**HUDSON GLOBAL**

**Hudson Global, Inc.**  
**Investor Presentation**

Q4 2018

# Forward-Looking Statements

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

# Hudson Global at a Glance

- ▶ Hudson Global, Inc. (“Hudson Global”, “HSON”, or “the Company”) is a pure-play Total Talent Solutions (“TTS”) provider doing business as Hudson RPO
- ▶ Publicly-traded on Nasdaq following spin-off from Monster.com in 2003
- ▶ HSON expects to generate positive adjusted EBITDA and free cash flow from operations in 2019<sup>(1)</sup>
- ▶ HSON has \$39 million of cash, no debt, and over \$300 million of usable NOLs
- ▶ New Board has a track record of stock repurchases, dividends, and improvements to shareholder rights
- ▶ Owner mindset: Board and management collectively own almost 7% of HSON shares and expect to own more over time
- ▶ The Company expects to maximize stockholder value over the long term through internal growth investments in its fast-growing, high-margin RPO business, and will investigate profitable, bolt-on acquisitions going forward

*\$mm, except per share amounts*

<b>Stock Price<sup>(2)</sup></b>	\$1.40
<b>Shares Outstanding<sup>(3)</sup></b>	32.0
<b>Market Capitalization<sup>(2)</sup></b>	\$44.9
<b>Cash<sup>(3)</sup></b>	\$38.9
<b>Debt<sup>(3)</sup></b>	\$0.0
<b>Usable NOLs<sup>(4)</sup></b>	>\$300

<i>\$mm</i>	<b>2017</b>	<b>2018E</b>	<b>2019E</b>
<b>Revenues</b>	\$59.9		>10%
<b>Gross Profit</b>	\$42.2		>10%
<b>Adj EBITDA-RPO</b>		\$4.0 - \$4.5	>10%
<b>Corp Costs<sup>(5)</sup></b>		\$8.0 - 8.25	~\$4.0
<b>Adj. EBITDA</b>		(\$3.50) - (\$4.25)	>\$0
<b># of employees</b>		350	
<b># of countries</b>		9	

<sup>(1)</sup> Assumes no increase in cash needed for working capital purposes.

<sup>(2)</sup> As of November 30, 2018. Market Capitalization defined as Shares Outstanding times Stock Price.

<sup>(3)</sup> As of September 30, 2018. Cash includes \$0.4mm of restricted cash.

<sup>(4)</sup> As of December 31, 2017. NOL carryforward is for U.S. federal tax expense.

<sup>(5)</sup> 2018 Corporate Costs includes \$2.4mm of severance expense.

# What is RPO?

**RPO is in the Business Services sector, and a subcomponent of the Business Process Outsourcing (“BPO”), and Human Capital Management (“HCM”) subsectors**



Recruitment Process Outsourcing is where an employer utilizes an external service provider to perform all or part of its recruitment processes, often replacing work performed by external recruitment agencies and/or in-house teams

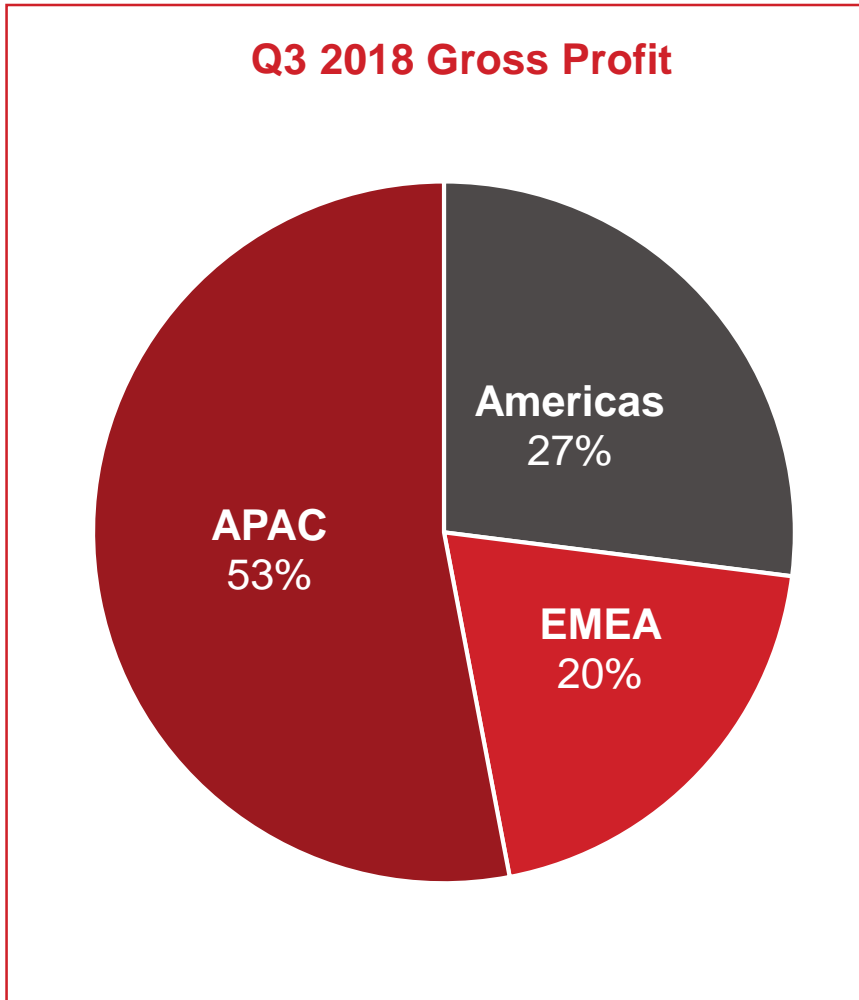
- ▶ RPO personnel can be located on-site at the client’s offices, or offsite
- ▶ Offshore and/or centralized, shared-service facilities offsite are often used to supplement work done by client-facing RPO personnel, and these centers often perform work for multiple clients and work in multiple time zones

- ▶ An RPO company can provide its own staff or may assume a client’s staff, technology, methodologies, and reporting
- ▶ RPO differs significantly from contingent/retained search (“agency model”) in that it assumes ownership of the design and management of the recruitment process, and responsibility for the results
- ▶ RPO is about improving the talent procurement process of a client, and implementing and monitoring a system that handles all the client’s talent needs – a true long-term partnership to improve outcomes and lower costs
- ▶ RPO is a fairly new concept and an emerging industry and it has just begun to penetrate the market

# RPO vs. Recruitment Agencies

<b>Factors</b>	<b>RPO</b>	<b>Agency</b>
<b>Location of Service Provider</b>	Often On-Site	Never On-Site
<b>Ownership of Recruitment Process</b>	High	Low
<b>Candidate Quality</b>	Consistently Good	Uneven Consistency
<b>Candidate Experience</b>	High/Brand Ambassadors	Uneven
<b>Proactive Recruitment</b>	Strong/Maintain Talent Pools	Low
<b>Cost to Client</b>	Lower, especially as volume increases	High
<b>Level of Client Engagement</b>	Very High (Partnership)	Low (Transactional)
<b>Duration of Relationship with Client</b>	Long/Recurring	Transactional
<b>Depth of Relationship with Client</b>	Very Deep & Wide	Shallow/Transactional
<b>Delivery Model</b>	Client-Focused/ Subject Matter Expertise	Role-Focused, or Candidate-Focused
<b>Pricing Model</b>	Combination of fixed monthly management fees and variable fees	Purely Variable/Transactional
<b>Length of Contracts</b>	Multi-year with high renewal rates	Transactional
<b>Recurring Revenues</b>	High	Low
<b>Initial Sales Process</b>	Long	Short

# Hudson RPO by Region



## RPO Team Experience

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### APAC CEO

#### **Kimberley Hubble**

- ▶ 25 years in industry
- ▶ 19 years at Hudson RPO
- ▶ Based in Sydney

### Americas CEO

#### **Lori Hock**

- ▶ 32 years in industry
- ▶ 6 years at Hudson RPO
- ▶ Based in Boston

### EMEA CEO

#### **Darren Lancaster**

- ▶ 21 years in industry
- ▶ 8 years at Hudson RPO
- ▶ Based in London

# Hudson RPO:

## Regional Market Observations

### Asia-Pacific

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- ▶ Smaller market size than Americas or EMEA, but strong market adoption in Australia, China, HK, and Singapore
- ▶ Hudson RPO believes it has #1 market share in Australia
  - Hudson's first ever RPO project was in 1999 for J&J in Australia, and we believe this project was one of the first RPO projects in history
- ▶ Hudson RPO believes it is top 3 in Greater China (Mainland China & Hong Kong)
- ▶ Hudson RPO is growing in SE Asia via its hub in Singapore, and has recently expanded its presence throughout SE Asia through local partnerships in Taiwan, Malaysia, Philippines, Thailand, Vietnam, South Korea, and India; these partnerships allow Hudson RPO to embed teams in these countries as requested by our clients
- ▶ Centers of Excellence in Manila, Philippines and Shanghai, China

### Americas

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- ▶ Largest and fastest-growing market
- ▶ Hudson RPO is a small player, but growing
- ▶ Hudson RPO is particularly strong in Life Sciences, Medical Devices, Financial Services, and Manufacturing
- ▶ Growing presence in Latin America, especially for large multinationals creating regional hubs
- ▶ Smaller RPO companies in this region could become acquisition targets for Hudson RPO

### EMEA

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- ▶ Large market, particularly in the UK, but not quite as fast-growing as Americas
- ▶ Emerging market in continental Europe, with growth from large multinationals benefiting from RPO solutions in the US and UK
- ▶ Hudson RPO is a small player, but growing
- ▶ Hudson RPO is particularly strong in Life Sciences, Financial Services, and Manufacturing
- ▶ Smaller RPO companies in this market could become acquisition targets for Hudson RPO
- ▶ Center of Excellence in Edinburgh, Scotland

# Hudson RPO's Strengths



## Our Focus

- ▶ Professional Services/White Collar – comprehensive talent acquisition and total talent solutions for employers needing mission critical professional talent
- ▶ Senior Management to Entry Level – source and recruit roles from senior executives to interns/graduates
- ▶ Mid-to-Large Sized Corporations – focus on custom-built solutions for mid-to-large sized corporations
- ▶ Emerging Growth Companies – partner with them at every stage of their growth/life cycle
- ▶ RPO to Total Talent Solutions – grow current RPO solutions, build first generation RPO programs, and offer other, value-added outsourced talent solutions



## Our Clients

- ▶ We focus on clients where acquiring and retaining top talent, and specialized talent, is the key to success
- ▶ Our clients purchase on value and outcomes, much more than on price given the critical importance of talent to their businesses
- ▶ We deeply know our clients – their needs, their business, and their culture so we can deliver the best solutions and be a very valuable, long-term partner
- ▶ We have a prestigious client portfolio, and we have a high retention rate because we work diligently to truly partner with our clients, and we evolve our solutions to best support our clients' growth, needs, and objectives



## Our Team

- ▶ Hudson RPO's global and regional leadership teams have deep expertise across Human Capital solutions, and have high tenure at Hudson RPO and on-site with the clients
- ▶ Hudson RPO's teams are committed to a culture of engaging leadership, disciplined execution, and profitable growth
- ▶ Hudson RPO rates very favorably on service, performance, and results relative to our competition as measured by independent client surveys done via SharedXpertise for the *HRO Today's* Baker's Dozen Program
- ▶ Hudson RPO has been recognized on the Baker's Dozen List for nine consecutive years



# Hudson Global's Vision and Mission



## Our Mission:

To maximize stockholder value over the long-term



## Our Vision:

To be the top RPO provider of professional roles in the industry

## Strategy to achieve our Vision and Mission:

1

### Grow RPO

- ▶ Global RPO market expected to grow 10-15% per year 2017 – 2025<sup>(1)</sup>
- ▶ Hudson RPO's goal is to exceed the growth rate of the market (i.e., gain share)
  - Superior service and delivery
  - Go deeper and broader with existing clients
  - Grow in existing markets, and expand into new markets to support our clients' needs
  - Add new clients; "land and expand"
- ▶ Hudson RPO is investing in people and technology to accelerate its growth<sup>(2)</sup>
- ▶ Leverage existing strong reputation by expanding marketing efforts, including social media and website

2

### Reduce Overhead Expenses

- ▶ Reduce complexity left over from legacy businesses
- ▶ Both corporate and regional
- ▶ No impact to revenues or growth

3

### Investigate Acquisition Opportunities

- ▶ Expand capabilities and capacity, not just growth for growth's sake
- ▶ Deepen geographic and/or sector presence
- ▶ Add new talent and skill sets
- ▶ Immediately accretive
- ▶ Utilize NOL

4

### Repurchase Stock

- ▶ Will be opportunistic/price sensitive
- ▶ Goal is to maximize NAV per share, not just "return cash"
- ▶ Balance with acquisition opportunities

<sup>(1)</sup> <https://www.prnewswire.com/news-releases/global-501-bn-recruitment-process-outsourcing-rpo-market-2025-300529971.html>.

<sup>(2)</sup> Historically, RPO at Hudson was a small percentage of the total business and, as a result, it didn't receive the focus and investment needed to properly grow the business and fully capture opportunities available in the market.

# Hudson Global's Vision and Mission



## Our Mission:

To maximize stockholder value over the long-term



## Our Vision:

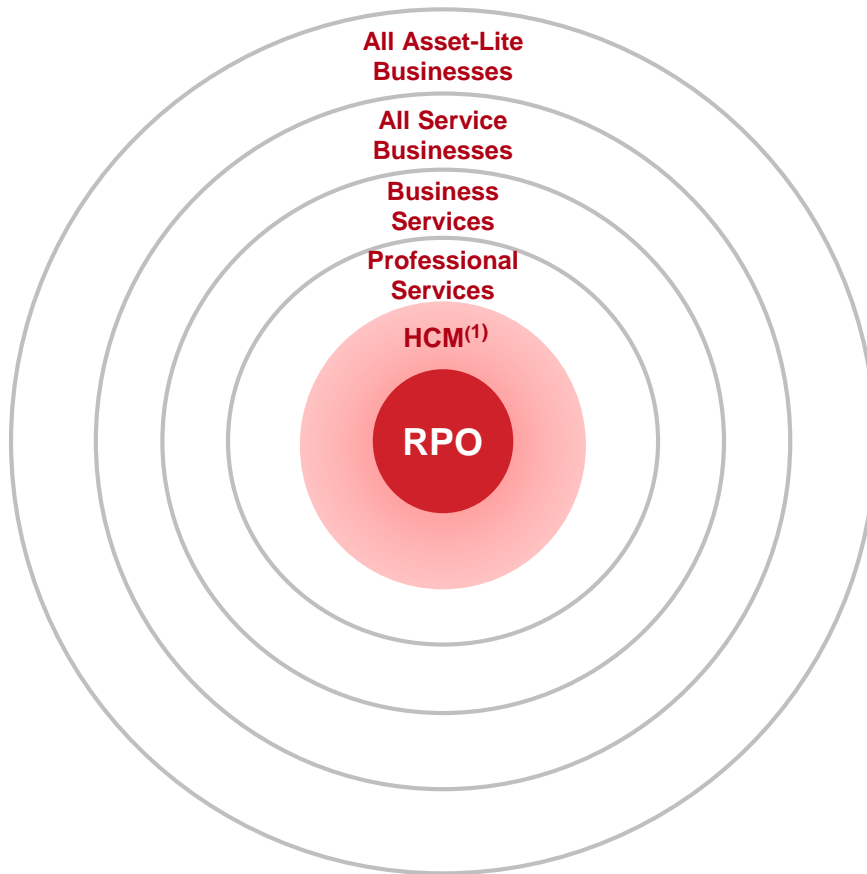
To be the top RPO provider of professional roles in the industry

## Long-Term Financial Goals to Achieve Vision and Mission:

- ▶ Profitable in 2019 – a watershed event
- ▶ Generate high returns on internal growth projects as well as on bolt-on acquisitions
  - Incremental ROIC and ROE will be key metrics to track
- ▶ Adjusted EBITDA of 20% of Gross Profit at RPO level (i.e., pre Corporate Costs)
  - Keep Corporate Costs low, even as profits from operating businesses grow
  - Adjusted EBITDA/GP margins of mid-teens at the corporate level (i.e., after Corporate Costs)
- ▶ Maximize earnings per share over the long term through:
  - Revenues and Gross Profit growing faster than costs, enabling EBITDA to increase as a percentage of Gross Profit over time
  - Continually reducing regional and Corporate Costs, especially as a percentage of Gross Profit
  - Reducing share count through opportunistic stock repurchases

# Acquisition Strategy

Focus on our core RPO business, or businesses related to RPO within HCM



## Characteristics:

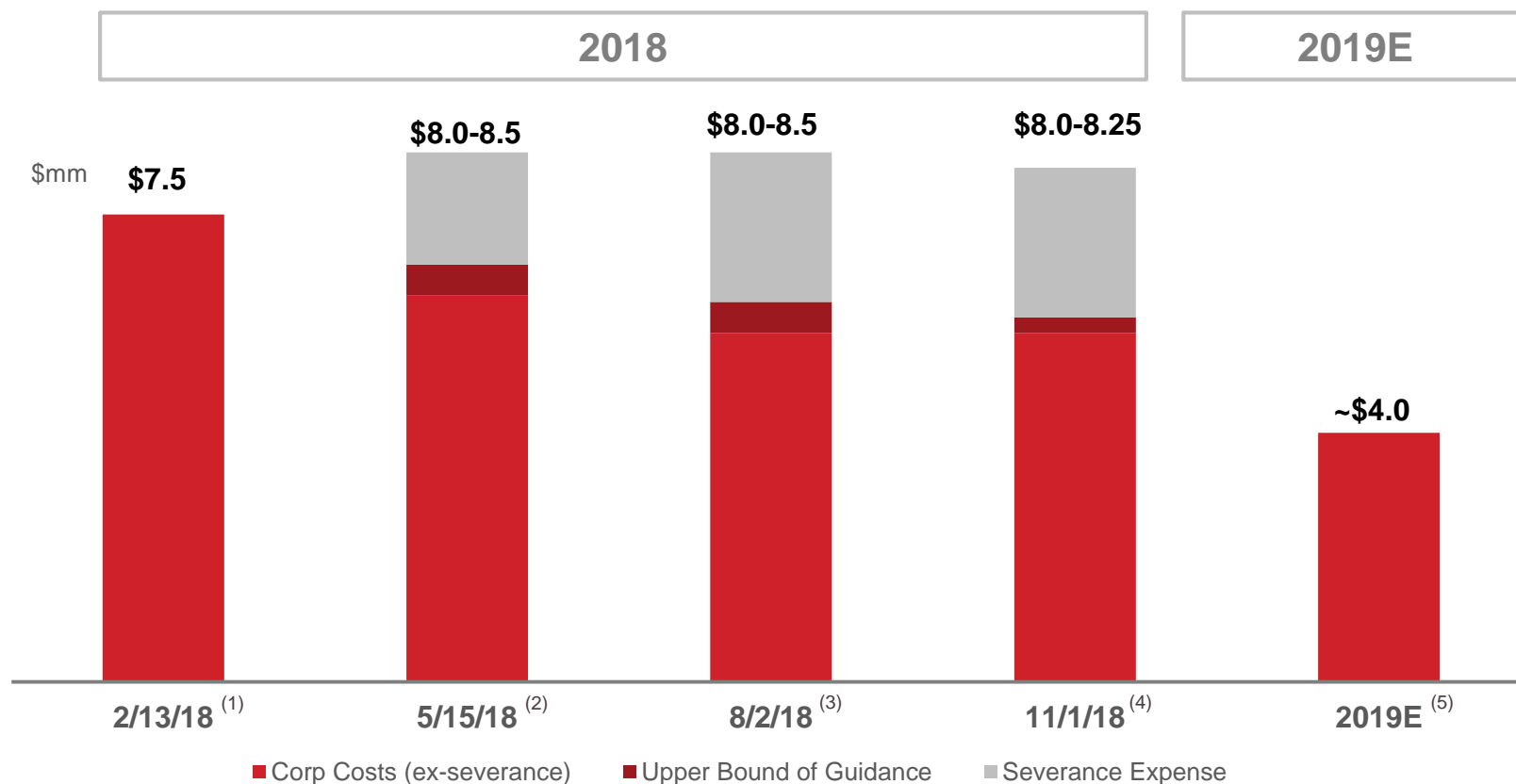
- ▶ Easy to understand business model, value proposition, and benefit to HSON stockholders
- ▶ High margins and high growth
- ▶ Complements and adds value to Hudson RPO
- ▶ Cost and other synergies from joining HSON
- ▶ Additional bolt-on possibilities/roll-up opportunities after initial acquisition
- ▶ Existing operating management team willing to stay, at least initially
- ▶ Currently profitable; no start-ups or venture-type businesses
- ▶ Low/no capex and high FCF/high cash conversion (excluding cash used for working capital)

## Possible Examples:

- ▶ **RPO:** look for RPO bolt-ons for Hudson RPO, especially in Americas and EMEA
- ▶ **HCM:** look for businesses adjacent to/complementary to RPO, which could include MSP, Contracting/Staffing, Talent Advisory, Other

<sup>(1)</sup> Human Capital Management, which includes RPO, MSP (Managed Service Provider), and other talent-related solutions businesses.

# Hudson Global: Corporate Costs



(1) Guidance provided in Definitive Proxy Statement filed 2/13/18.

(2) Guidance provided in Q1 2018 press release on 5/15/18 and includes \$1.8mm of severance expense.

(3) Guidance provided in Q2 2018 earnings press release on 8/2/18 and includes \$2.4mm of severance expense.

(4) Guidance provided in Q3 2018 earnings press release on 11/1/18 and includes \$2.4mm of severance expense.

(5) Guidance provided in Q3 2018 earnings press release on 11/1/18.

# Hudson Global: U.S. Federal Tax NOL Carryforward

U.S. Federal Tax Usable NOL as of 12/31/2017	\$302.4mm
U.S. Federal Tax Rate	21%
Potential Cash Taxes Saved	\$63.5mm
Shares Outstanding <sup>(1)</sup>	32.0mm
Potential Value Per Share (0% disc rate):	\$1.98

## Additional Thoughts

- ▶ All NOLs getting used is a potentially realistic assumption given the very gradual expiration schedule between now and 2037
- ▶ HSON's large NOL increases the ROI on internal investments and acquisitions given HSON can shield U.S. taxable income for a long period of time

<sup>(1)</sup> As of September 30, 2018.

# Hudson Global: Our History

**1999 – 2001** Hudson Global originated from a collection of 67 recruitment agency acquisitions made by TMP Worldwide, which later became Monster Worldwide, Inc. (i.e., Monster.com)

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**March, 2003** Monster distributed out all the shares of Hudson Global to Monster stockholders and, since that time, Hudson Global has operated as an independent, publicly-held company

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**2003 – 2013** Poor business structure and very poor leadership led to poor operating and financial performance; HSON stock price declined 11% over this 11 year period and 85% from its all-time high in 2005, significantly underperforming its peer group and all relevant stock market indices

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**2013 – 2014** Hudson Global's current CEO, Jeff Eberwein, invested in HSON shares and launched a proxy contest to gain shareholder representation on the Board to improve Hudson Global's performance; Jeff Eberwein and Rick Coleman, HSON's current Chairman, elected to HSON board in an 80% to 6% vote

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## 2015

- ▶ Hudson Global changed its CEO and CFO, and all legacy Board members left the Board; Eberwein named Chairman
- ▶ The new Board of Directors implemented a series of stockholder-friendly measures designed to enhance stockholder rights including:

- Declassified the Board so all director positions would be elected annually
  - Eliminated all supermajority voting requirements
  - Allowed stockholders to call special meetings
  - Allowed stockholders to act by written consent
  - Implemented a plan to protect valuable NOL asset
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**July, 2015** Announced a \$10 million share buyback plan with approximately \$7.4 million purchased through 9/30/18

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**2016** Paid two cash dividend payments to stockholders totaling \$3.4 million

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**2015 – 2017** The Board of Directors initiated a strategic review process to explore options to enhance stockholder value, including the potential sale of non-core businesses, and this process culminated in the Company's announcement on December 17, 2017 of three divestitures

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**December, 2017 & March, 2018** Hudson Global announced three divestitures to exit its agency recruitment businesses so it could focus on its global RPO business going forward; these transactions closed at the end of March 2018, and, at that time, Hudson Global's CEO, Stephen Nolan, retired and was replaced by Board Chairman, Jeff Eberwein; Rick Coleman became Chairman of the Board