



Hudson Global, Inc. (HSON)

HSON's 1H:21 Business Wins, Growing Prospect Funnel Fuel Expectations For A Meaningful Lift In 3Q:21 Adjusted Net Revenue And EPS; Attractive Valuation, Robust Balance Sheet Support \$31 PT

	2019	2020	2021E		2022E	
			OLD	NEW	OLD	NEW
Mar.	(\$0.54)	(\$0.17)	(\$0.07)A		\$0.01	
June	(0.29)	(0.27)	(0.04)A		0.16	
Sep.	0.11	(0.41)	0.45		0.53	
Dec.	0.48	0.41	0.46		0.56	
EPS	(\$0.30)	(\$0.43)	\$0.80		\$1.25	
P/E			20.3x		13.0x	
Adj. EBITDA (mil)	\$0.5	(\$0.4)	\$6.0		\$7.3	
EV / Adj. EBITDA			4.2x		3.4x	

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. 2Q:20 includes \$0.14 in non-recurring cost items. 2019-2022E include \$0.18-\$0.21 annually of stock-based compensation expense. *FCF excludes the add-back of stock-based comp expense. Sum of quarterly EPS may not equal full-year total due to rounding and/or changes in share count. NC = Not covered by Sidoti & Co., LLC.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Rev.(Mil.)*	\$562.6	\$581.2	\$463.2	\$422.7	\$59.6	\$66.9	\$93.8	\$101.4	\$155.0	\$168.8
GAAP EPS*	(\$9.35)	(\$4.02)	\$0.68	(\$2.65)	(\$0.92)	\$2.39	(\$0.30)	(\$0.43)	\$0.80	\$1.25

* GAAP EPS are adjusted to reflect a 10-for-1 reverse split in June 2019. 2013-2016 include restructuring charges and gains from asset sales. 2017 and 2018 revenue adjusted to reflect the absence of discontinued operations. 2018 include \$4.00 from business unit sales.

Description: Hudson Global Inc. (www.hudsonrpo.com) provides customized recruitment process outsourcing (RPO) and total talent solutions (TTS) to companies worldwide under the brand name Hudson RPO. Following the early-2018 divestiture of three agency recruitment businesses, the company now operates three RPO segments: Hudson Asia Pacific (75% of 2020 revenue), Hudson Americas (11%) and Hudson Europe (15%). Headquarters are in Old Greenwich, CT.

Release Date	Conference Call	Time (Eastern)	Contact	Co. Guidance	Consensus
Early November	N/A	N/A	N/A	N/A	\$0.45

- **As highlighted, we saw a robust recovery for HSON in 1H:21, notably in 2Q:21 where adjusted net revenue (or gross profit, which we view as a stronger indicator of underlying business trends), jumped 53% year-to-year in constant currency.**
- **Strong demand was evident across all three regions. We call attention to the Americas unit (33% of net revenue) and the seemingly successful acquisition of Coit in 4Q:20, an RPO firm focused on high-growth tech companies; it appears that many pipeline opportunities are opening for HSON in the U.S. and abroad.**
- **Following the better-than-expected 2Q:21 earnings report, we raised our estimates across the board to reflect the spate of new business wins, an improving prospect funnel and margin trends across each region.**
- **Accordingly, we estimate 3Q:21 adjusted net revenue will surge 70% from a year prior, with the most pronounced gain again in the Americas division.**
- **We remind investors that 1H:21 results were dampened by higher operating expenses tied to sales and marketing initiatives and headcount additions as HSON staffed up ahead of client engagements. We expect that somewhat eased in 3Q:21.**
- **We, thus, anticipate 3Q:21 EPS of \$0.45 (\$0.61 on an adjusted basis, including non-cash comp expense tied to Coit), versus a loss per share of \$0.41 in 3Q:20.**
- **We contend that HSON does not get enough credit for its robust balance sheet. The company ended 2Q:21 with no debt and net cash of \$24 million (\$8 per share). Based on our EPS and FCF outlooks of \$0.12 per share in 2021 and \$1.24 in 2022, we forecast year-end 2022 net cash of \$25 million (about \$9 per share).**
- **Our \$31 price target is 25x (in line with our five-year EPS CAGR projection of 25%) our 2022 EPS estimate of \$1.25. The Moderately Risky rating reflects HSON's**

NR

Price Target: \$31

Price: \$16.20

Risk Rating: M

Josh Vogel
(212) 453-7016
(jvogel@sidoti.com)

Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$40
Enterprise Value	\$25
52-Week Range (NASDAQ)	20-10
5-Year EPS CAGR	25%
Avg. Daily Trading Volume	9,000
Shares Out (Mil)	2.690
Float Shares (Mil)	2.252
Insider Ownership	13%
Institutional Holdings	59%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2022E)*	\$1.24
FCF Yield (2022E)	7.7%
Net Cash Per Share (2022E)	\$8.74
Price to Book Value	1.3x
Return on Equity (2022E)	10.4%
Total Debt to Capital	2%
Interest Coverage Ratio	N/A
Short Interest %	0.1%
Short Interest Days To Cover	0.7
Russell 2000	2,268
Russell 2000 – Last 12 Months	38.2%
HSON – Last 12 Months	68.6%



Hudson Global, Inc.

Source: FactSet Prices

sound financial profile and our expectation that sustained profitability will begin this year.

We recall that HSON's 2Q:21 results displayed signs of an accelerated global business recovery. Revenue was up 41% in constant currency from the prior-year period. We find that it is better to focus on gross profit, or "adjusted net revenue," as the better metric to track underlying growth. This is because of a higher overall mix of MSP (managed service provider) work, where a typical contract inflates GAAP revenue, due to labor cost pass-throughs. Accordingly, HSON's 2Q:21 adjusted net revenue surged 53% year over year in constant currency with evidence of broad-based gains within all three operating regions/segments. Of note, *Hudson Asia Pacific* (46% of 2Q:21 adjusted net revenue), posted adjusted net revenue growth of 26% in constant currency, driven by a greater mix of MSP volume. We are most encouraged by the accelerated growth within *Hudson Americas* (33%), where adjusted net revenue jumped 159% year over year in constant currency and 19% sequentially. We attribute much of this to the October 2020 acquisition of *Coit Group*, a recruitment process outsourcing (RPO) provider with a clientele of high-growth technology companies, primarily in the San Francisco Bay Area. However, excluding *Coit*, the legacy business grew a healthy 30% year over year. Although operating expenses were markedly higher due to sales and marketing initiatives and headcount additions as the company staffed up ahead of client engagements, we saw significant operating leverage emerge in the model. HSON posted 2Q:21 operating income of \$295,000, versus an operating loss of \$883,000 loss in 2Q:20.

Coming out of 1H:21, we raised our estimates across the board to account for the pace of new business wins and growing sales pipeline. As noted, management recently highlighted the pace of new business wins and growing prospect funnel that supported expectations for a strong 2H:21. This also included the emerging traction within the Americas, whereby *Coit* was seemingly opening the door to many pipeline opportunities domestically and abroad (which was part of Hudson's rationale and strategy behind the deal). Accordingly, our model reflects adjusted net revenue growth to \$59 million in full-year 2021 and \$68 million in 2022, from \$39 million in 2020. Although somewhat offset by higher expecting operating expenses tied to sales and marketing initiatives, technology investments and personnel additions, we still estimate EPS of \$0.80 this year and \$1.25 in 2022, versus a loss per share of \$0.43 in 2020. We understand that the situation around COVID-19 remains fluid. While this may result in pockets of weakness in certain geographies or an elongated sales/engagement cycle, we do not envision a meaningful fallout from this nor any long-term structural shifts in the RPO business model and global demand environment.

We look for 3Q:21 results to mark the turn to sustained profitability. Our model shows a 59% year-over-year revenue advance and 71% adjusted net revenue/gross profit improvement over 3Q:20, including the expected contribution from *Coit*, which we estimate will add \$7-\$8 million in annual adjusted net revenue/gross profit dollars in 2021. Although upfront project-related costs are expected to lean somewhat on near-term margins and profitability, this will be more than offset by the robust adjusted net revenue growth, by our model. Accordingly, we estimate a 3Q:21 operating profit of \$1.6 million, versus an operating loss of \$1.1 million a year ago. By our model, this equates to EPS of \$0.45, versus a loss per share of \$0.41 in 3Q:20.

Exhibit 1: Hudson Global, Inc. Earnings Preview Summary (\$ in '000s, except per share data)

	3Q:21 Estimated	3Q:20 Actual	Variance	% change
Revenue	\$40,350	\$25,413	\$14,937	58.8%
Gross Profit	15,501	9,070	6,431	70.9%
Gross Margin	38.4%	35.7%		
Adjusted EBITDA (Loss)	1,730	(661)	2,391	NM
Operating (Loss) Income	1,610	(1,102)	2,712	NM
Operating Margin	4.0%	-4.3%		
Net (Loss) Income	1,296	(1,157)	2,453	NM
Diluted GAAP (Loss per share) EPS	0.45	(0.41)	0.85	NM

Sources: Company filings and Sidoti & Company, LLC estimates

HSON's robust balance sheet should merit more investor attention, in our view. Hudson ended 2Q:21 with net cash of \$24 million (\$8 per share) and no debt. We expect the company to achieve positive operating cash flow in 2021 and 2022. Based on our EPS and cash flow assumptions, and incorporating the *Coit* acquisition, we forecast a year-end 2022 net cash balance of \$25 million, or \$8.74 per share. We also note that the company has \$318 million of usable net operating losses in the U.S., which management contends, and we agree, is a "very valuable asset for its shareholders." As for capital allocation, we think management will focus on share repurchases (the company has reduced the share count by 16% since December 2018 and \$1.7 million remains under the current share repurchase program) and bolt-on acquisitions (similar to the *Coit* deal) that could expand HSON's service offering and/or global footprint. We note that our estimates include no potential deals.

Valuation

We maintain a \$31 price target and Moderately Risky rating on HSON shares. We value the stock at 25x, in line with our 5-year EPS CAGR projection. Thus, at 25x our 2022 EPS estimate of \$1.25, we derive a \$31 price target. Our valuation multiple is a premium to the mid- to upper-teen multiples accorded peers, as it reflects the company's steady business model, blue-chip customer base, generally lower overall risk profile, as well as credit for strong financials. We cite another valuation method that also supports this price target; if we apply a multiple roughly in line with the peer group average (17x-18x) to our 2022 EPS estimate and add \$8.74 in projected year-end 2022 cash per share, this also yields a \$31 target. The Moderately Risky rating reflects HSON's robust balance sheet and our expectation for sustained profitability going forward.

Key Risks

A global recession, notably in APAC

Client concentration

Delayed client decisions, program ramps

HUDSON GLOBAL, INC.

Table 1: Hudson Global, Inc. Income Statement (\$ in thousands)

	2019	Mar	Jun	Sep	Dec	2020	MarA	JunA	SepE	DecE	2021E	MarE	JunE	SepE	DecE	2022E
Revenue	\$ 93,811	\$ 24,131	\$ 24,573	\$ 25,413	\$ 27,331	\$ 101,448	\$ 34,461	\$ 39,674	\$ 40,350	\$ 40,550	\$ 155,035	\$ 41,250	\$ 42,000	\$ 42,750	\$ 42,750	\$ 168,750
Direct Costs	50,245	14,333	15,643	16,343	16,048	62,367	21,743	24,583	24,850	24,746	95,922	25,182	24,999	25,285	25,445	100,911
Gross Profit	43,566	9,798	8,930	9,070	11,283	39,081	12,718	15,091	15,501	15,804	59,113	16,068	17,001	17,465	17,305	67,839
Operating Expenses:																
Salaries and Related	45,142	10,298	9,789	10,147	11,314	41,548	12,590	14,683	13,781	14,035	55,089	15,940	16,361	15,512	15,250	63,062
Depreciation and Amortization	85	24	24	25	106	179	110	113	110	105	438	100	100	100	100	400
Total Operating Expenses	45,227	10,322	9,813	10,172	11,420	41,727	12,700	14,796	13,891	14,140	55,527	16,040	16,461	15,612	15,350	63,462
Operating (Loss) Income	(1,661)	(524)	(883)	(1,102)	(137)	(2,646)	18	295	1,610	1,664	3,587	28	540	1,853	1,956	4,377
Interest Income, net	617	79	40	14	16	149	10	9	10	12	41	16	18	18	20	72
Other Income (Expense), net	(338)	41	337	96	1,315	1,789	(53)	(37)	-	-	(90)	-	-	-	-	-
(Loss) Income Before Income Taxes	(1,382)	(404)	(506)	(992)	1,194	(708)	(25)	267	1,620	1,676	3,538	44	558	1,871	1,976	4,449
Income Tax (Benefit)	(540)	107	266	165	(3)	535	178	389	324	335	1,226	9	112	374	395	890
Net (Loss) Income (from Cont. Ops)	(955)	(511)	(772)	(1,157)	1,197	(1,243)	(203)	(122)	1,296	1,341	2,312	35	447	1,497	1,580	3,559
Diluted (Loss) EPS	\$ (0.30)	\$ (0.17)	\$ (0.27)	\$ (0.41)	\$ 0.41	\$ (0.43)	\$ (0.07)	\$ (0.04)	\$ 0.45	\$ 0.46	\$ 0.80	\$ 0.01	\$ 0.16	\$ 0.53	\$ 0.56	\$ 1.25
Avg. Diluted Shares O/S	3,131	3,065	2,839	2,858	2,894	2,911	2,891	2,906	2,900	2,900	2,899	2,875	2,850	2,850	2,825	2,850
EBITDA Analysis:																
Adjusted EPS (incl. comp expense from Coit acq., net)	\$ 0.04	\$ (0.08)	\$ (0.13)	\$ (0.38)	\$ 0.20	\$ (0.38)	\$ 0.07	\$ 0.15	\$ 0.61	\$ 0.63	\$ 1.47	\$ 0.18	\$ 0.33	\$ 0.69	\$ 0.73	\$ 1.93
Adjusted EBITDA (loss)	457	(78)	(367)	(661)	750	(356)	753	1,682	1,730	1,819	5,984	778	1,790	2,303	2,406	7,277
Margin Analysis:																
Gross Margin	46.4%	40.6%	36.3%	35.7%	41.3%	38.5%	36.9%	38.0%	38.4%	39.0%	38.1%	39.0%	40.5%	40.9%	40.5%	40.2%
Salaries and Related as a % of Revenue	48.1%	42.7%	39.8%	39.9%	41.4%	41.0%	36.5%	37.0%	34.2%	34.6%	35.5%	38.6%	39.0%	36.3%	35.7%	37.4%
Adjusted EBITDA (loss) Margin	0.5%	-0.3%	-1.5%	-2.6%	2.7%	-0.4%	2.2%	4.2%	4.3%	4.5%	3.9%	1.9%	4.3%	5.4%	5.6%	4.3%
Adjusted EBITDA as % of Adj. Net Revenue/Gross Profit	7.2%	-0.8%	-4.1%	-7.3%	6.6%	-0.9%	5.9%	11.1%	11.2%	11.5%	10.1%	4.8%	10.5%	13.2%	13.9%	10.7%
Operating Margin	-1.8%	-2.2%	-3.6%	-4.3%	-0.5%	-2.6%	0.1%	0.7%	4.0%	4.1%	2.3%	0.1%	1.3%	4.3%	4.6%	2.6%
Effective Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	20.0%	20.0%	34.7%	20.0%	20.0%	20.0%	20.0%	20.0%
Net Margin (from continuing operations)	-1.0%	-2.1%	-3.1%	-4.6%	4.4%	-1.2%	-0.6%	-0.3%	3.2%	3.3%	1.5%	0.1%	1.1%	3.5%	3.7%	2.1%
Year-Over-Year Comparisons:																
Total Revenue Growth	40.2%	49.1%	-7.0%	-1.4%	7.4%	8.1%	42.8%	61.5%	58.8%	48.4%	52.8%	19.7%	5.9%	5.9%	5.4%	8.8%
Gross Profit Growth	3.5%	4.3%	-23.4%	-20.4%	1.5%	-10.3%	29.8%	69.0%	70.9%	40.1%	51.3%	26.3%	12.7%	12.7%	9.5%	14.8%
Adjusted EBITDA Growth	NM	NM	NM	NM	-15.6%	NM	NM	NM	NM	NM	NM	NM	6.4%	33.1%	32.3%	21.6%
Operating Income Growth	NM	NM	NM	NM	NM	59.3%	NM	NM	NM	NM	NM	NM	NM	15.1%	17.5%	22.0%
Net Income Growth	NM	NM	NM	NM	-19.3%	NM	NM	NM	NM	NM	NM	NM	NM	15.5%	17.9%	54.0%
Diluted EPS Expansion	NM	NM	NM	NM	-13.2%	NM	NM	NM	NM	NM	NM	NM	NM	17.5%	21.0%	56.6%

Sources: Sidoti & Company, LLC estimates; Company reports

HUDSON GLOBAL, INC.

Table 2: Hudson Global, Inc. Statement of Cash Flow (\$ in thousands)

	2019	Mar	Jun	Sep	2020	MarA	JunA	2021E	2022E
<u>Cash Flows From Operating Activities:</u>									
Net (Loss) Income	\$ (955)	\$ (511)	\$ (772)	\$ (1,157)	\$ (1,243)	\$ (203)	\$ (122)	\$ 2,312	\$ 3,559
Depreciation and Amortization	85	24	24	25	179	110	113	438	400
Provision for Doubtful Accounts	80	2	7	24	34				
(Benefit from) Provision for Deferred Income Taxes	(210)	66	12	(2)	(169)	(70)	(175)	(245)	
Stock-Based Compensation	961	144	93	334	737	302	794	1,396	1,400
Gain on Sale of Consolidated Subsidiaries									
Gross Cash Flow	(39)	(275)	(636)	(776)	(462)	139	610	3,901	5,359
Operating Sources (Uses):									
Change in Accounts Receivable	(2,941)	(1,083)	1,188	728	672	(3,813)	(2,579)	(6,425)	(1,719)
Change in Prepaid and Other Assets	652	(94)	(498)	174	(34)	(22)	88	(429)	(72)
Change in Accounts Payable, Accrued and Other	(2,500)	(1,278)	1,821	(629)	(1,602)	1,284	2,880	4,842	1,479
Total Changes in Working Capital	(4,789)	(2,455)	2,511	273	(964)	(2,551)	389	(2,012)	(311)
Operating Cash Flow	(4,828)	(2,730)	1,875	(503)	(1,426)	(2,412)	999	1,889	5,048
CAPEX	(84)	(10)	(1)	(8)	(22)	(40)	(82)	(150)	(100)
Free Cash Flow	(4,912)	(2,740)	1,874	(511)	(1,448)	(2,452)	917	1,739	4,948
Free Cash Flow (ex Stock-Based Comp)	(5,873)	(2,884)	1,781	(845)	(2,185)	(2,754)	123	343	3,548
<u>Cash Flows From Investing Activities</u>									
Proceeds From Disposition of Assets, net									
Acquisition of Coit Group					(3,997)				
<u>Cash Flows From Financing Activities</u>									
Borrowings Under Credit Agreements	52,345	15,298	19,129	0	35,000				
Repayments Under Credit Agreements	(52,345)	(15,298)	(19,129)	0	(35,000)				
Conditional Note Payable to Coit Sellers								(450)	(450)
RSUs for Coit Group								(167)	(167)
Proceeds from Gov't Lending			1,326	0	1,326				
Purchase of Treasury Stock	(4,545)	(2,239)	0	0	(2,239)			(3,500)	(2,500)
Purchase of Restricted Stock from Employees	(41)	(11)	(3)	0	(14)		(4)	(50)	(50)
Total Cash Flows From Investing and Financing	(4,586)	(2,250)	1,323	0	(4,924)	0	(4)	(4,167)	(3,167)
Beginning Cash and Equivalents	41,060	31,718	26,500	29,896	31,718	26,199	23,591	26,199	23,639
Effects of Exchange Rates	156	(228)	199	348	853	(156)	24	(132)	0
Change in Cash	(9,342)	(5,218)	3,396	(163)	(5,519)	(2,608)	937	(2,560)	1,781
Ending Cash and Equivalents	31,718	26,500	29,896	29,733	26,199	23,591	24,528	23,639	25,420
<i>Less: Restricted Cash + Cash from Discon. Ops</i>	528	373	379	388	393	441	333	500	500
Ending Cash and Equiv. Available to Shareholders	31,190	26,127	29,517	29,345	25,806	23,150	24,195	23,139	24,920
<u>Per Share Data (Diluted Shares):</u>									
Gross Cash Flow	(0.01)	(0.09)	(0.22)	(0.27)	(0.16)	0.05	0.21	1.35	1.88
Operating Cash Flow	(1.54)	(0.89)	0.66	(0.18)	(0.49)	(0.83)	0.34	0.65	1.77
Free Cash Flow	(1.57)	(0.89)	0.66	(0.18)	(0.50)	(0.85)	0.32	0.60	1.74
Free Cash Flow (ex Stock-Based Comp)	(1.88)	(0.94)	0.63	(0.30)	(0.75)	(0.95)	0.04	0.12	1.24
Number of Shares (Diluted)	3,131	3,065	2,839	2,858	2,911	2,891	2,906	2,899	2,850

Sources: Sidoti & Company, LLC estimates; Company reports

HUDSON GLOBAL, INC.

Table 3: Hudson Global, Inc. Balance Sheet (\$ in thousands)

	2019	Mar	Jun	Sep	2020	MarA	JunA	2021E	2022E
<u>Assets</u>									
Current Assets:									
Cash and Cash Equivalents	\$ 31,190	\$ 26,127	\$ 29,517	\$ 29,345	\$ 25,806	\$ 23,150	\$ 24,195	\$ 23,139	\$ 24,920
Accounts Receivable, net	12,795	12,778	12,300	11,916	13,445	17,118	19,569	19,870	21,589
Prepaid and Other	804	846	1,366	154	889	904	817	1,318	1,389
Restricted Cash, current	148	146	154	1,213	152	210	116	250	250
Total Current Assets	44,937	39,897	43,337	42,628	40,292	41,382	44,697	44,576	48,148
Property and Equipment, net	186	164	146	132	115	125	174	152	132
Goodwill					2,088	2,088	2,088	2,088	2,088
Intangible Assets, net					1,400	1,320	1,240	1,080	770
Operating Lease Right-of-Use Assets	401	391	325	269	210	737	630	650	650
Deferred Tax Assets, non-current	793	626	696	725	1,037	1,093	1,253	1,250	1,250
Restricted Cash, non-current	380	227	225	234	241	231	217	300	350
Other Assets	7	7	7	7	3	5	4	5	5
Total Assets	\$ 46,704	\$ 41,312	\$ 44,736	\$ 43,995	\$ 45,386	\$ 46,981	\$ 50,303	\$ 50,101	\$ 53,393
<u>Liabilities</u>									
Current Liabilities:									
Accounts Payable	\$ 1,064	\$ 697	\$ 670	\$ 392	\$ 576	\$ 437	\$ 538	\$ 1,014	\$ 1,176
Accrued Expenses and Other Current	8,178	6,607	8,988	8,920	9,241	10,547	13,203	13,645	14,963
Operating Lease Obligation, current	246	267	267	230	192	448	396	400	400
Total Current Liabilities	9,488	7,571	10,514	10,352	10,009	11,432	14,137	15,059	16,538
Income Tax Payable, non-current	845	819	843	859	887	903	923	1,217	1,368
Operating Lease Obligations, non-current	160	129	63	43	22	302	243	250	250
Other Non-Current Liabilities	177	163	187	167	188	193	197	200	200
Total Liabilities	10,670	8,682	12,344	11,937	11,106	12,830	15,500	16,725	18,356
<u>Shareholders' Equity</u>									
Common Stock	4	4	4	4	4	4	4	4	4
Additional Paid-In Capital	486,088	486,232	486,325	486,659	486,825	487,127	487,921	488,003	488,830
Accumulated Deficit	(436,507)	(437,018)	(437,790)	(438,947)	(437,750)	(437,953)	(438,075)	(436,038)	(432,654)
Accumulated Other Comprehensive Loss, net	(479)	(1,266)	(822)	(333)	526	300	282	282	282
Treasury Stock	(13,072)	(15,322)	(15,325)	(15,325)	(15,325)	(15,327)	(15,329)	(18,875)	(21,425)
Total Shareholders' Equity	36,034	32,630	32,392	32,058	34,280	34,151	34,803	33,376	35,037
Liabilities and Shareholders' Equity	\$ 46,704	\$ 41,312	\$ 44,736	\$ 43,995	\$ 45,386	\$ 46,981	\$ 50,303	\$ 50,101	\$ 53,393
Selected Data:									
Working Capital	35,449	32,326	32,823	32,276	30,283	29,950	30,560	29,518	31,610
Current Ratio (times)	4.74	5.27	4.12	4.12	4.03	3.62	3.16	2.96	2.91
Long-Term Debt to Total-Capital	1%	1%	5%	5%	1%	2%	2%	2%	2%
ROA (average, ttm)	NM	1.0%	1.2%	-2.1%	-2.7%	-2.1%	-0.6%	4.8%	6.9%
ROE (average, ttm)	NM	1.2%	1.6%	-2.9%	-3.5%	-2.8%	-0.8%	6.8%	10.4%
Net Cash per Share	9.96	8.52	9.93	9.80	8.86	8.01	8.33	7.98	8.74
BV per share	12.27	12.17	12.06	11.94	12.77	12.70	12.96	12.43	13.05
DSO	42	48	42	39	41	41	41	38	38

Sources: Sidoti & Company, LLC estimates; Company reports

Appendix
Required Disclosures

Required Disclosures

Hudson Global, Inc. (HSON-\$16.20) NR Price Target: \$31 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	7/24/19	11.2	NR	26	M
PT	2/28/20	10		23	
PT	3/31/20	7.6		18	
PT	10/5/20	9.7		20	
PT	1/27/21	14		20	
PT	3/11/21	16		23	
PT	5/4/21	18		23	
PT	5/10/21	18.5		27	
PT	6/28/21	18.7		27	
PT	7/29/21	18.1		27	
PT	8/9/21	18.2		31	



Source: FactSet Prices

Valuation	We maintain a \$31 price target and Moderately Risky rating on HSON shares. We value the stock at 25x, in line with our 5-year EPS CAGR projection. Thus, at 25x our 2022 EPS estimate of \$1.25, we derive a \$31 price target. Our valuation multiple is a premium to the mid- to upper-teen multiples accorded peers, as it reflects the company's steady business model, blue-chip customer base, generally lower overall risk profile, as well as credit for strong financials. We cite another valuation method that also supports this price target; if we apply a multiple roughly in line with the peer group average (17x-18x) to our 2022 EPS estimate and add \$8.74 in projected year-end 2022 cash per share, this also yields a \$31 target. The Moderately Risky rating reflects HSON's robust balance sheet and our expectation for sustained profitability going forward.		
Key Risks	A global recession, notably in APAC	Client concentration	Delayed client decisions, program ramps

Sidoti & Company. Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and

includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

Sidoti Company Sponsored Research Rating System The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of “Moderately Risky” (M) and “Highly Risky” (H) ratings. “Moderately Risky” suggests companies, that while still subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. “Highly Risky” suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 10/19/21 and immediately prior to the publication of this report, Company Sponsored Research provides research on 28 companies, of which 23 (82.1%) are rated Moderately Risky and 4 (14.3%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst’s estimates or forecasts may not be met. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in the “Risk Factors” section in the issuer’s SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the Microcap segment of the market.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor’s circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company’s securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1177 Avenue of the Americas 5th Floor, (Attention: Director of Research), New York, NY 10036 USA.

Compensation. Sidoti & Company, LLC receives a flat fee of \$40,000, renewable annually from the company discussed in Company Sponsored Research reports for the creation and dissemination of an Initiation Report and three Update Reports. The purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds multiple conferences a year and charges a fee of \$3,500 to \$5,500 per conference to presenting companies depending on the event. Sidoti does not currently have a current investment banking services relationship with companies discussed in Company Sponsored Research Reports, or contemporaneously with any other companies discussed in other (Sidoti) Company Sponsored Research reports. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member

of the selling group in, a securities underwriting. Sidoti's role in any issuer's investment banking transaction can be viewed in that issuer's filings at www.sec.gov.

Sidoti has non-research employees who will seek compensation for brokerage commission revenue in connection with market trading the securities of this company. Sidoti & Company, LLC has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Sidoti & Company, LLC analysts. These non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Sidoti & Company, LLC. HSON has paid a fee to Sidoti & Company, LLC to participate at the June 2021 Virtual Investor Conference. HSON has paid a fee to Sidoti & Company, LLC to participate at the March 2021 Virtual Investor Conference.

Sidoti Analysts. Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

Sidoti maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst. Sidoti research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

Analyst Certification. Josh Vogel certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be, directly or indirectly, related to the analyst's specific recommendations or views contained in this research report.

Source

Key Statistics data is sourced from FactSet Research Systems