

Hudson Global, Inc. (HSON)

Raise Target To \$44 (From \$31); 3Q:21 Results Confirm HSON's RPO Business Has Hit An Inflection Point; Meaningfully Higher 2022 Outlook Reflects Enhanced Operating Leverage, Recent Acquisition

	2020	2021E		2022E		2023E	
		OLD	NEW	OLD	NEW	OLD	NEW
Mar.	(\$0.17)	(\$0.07)A		\$0.01	\$0.18		\$0.29
June	(0.27)	(0.04)A		0.16	0.38		0.55
Sep.	(0.41)	0.45	0.49A	0.53	0.79		1.00
Dec.	<u>0.41</u>	<u>0.46</u>		<u>0.56</u>	<u>0.89</u>		<u>1.13</u>
EPS	(\$0.43)	\$0.80	\$0.86	\$1.25	\$2.22		\$2.96
P/E				17.5x	9.9x		7.4x
Adj. EBITDA (mil)	(\$0.4)		\$8.5		\$14.3		\$16.0
EV / Adj. EBITDA			3.5x		2.1x		1.9x

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. 2Q:20 includes \$0.14 in non-recurring cost items. 2020-2023E 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	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Rev.(Mil.)	\$581.2	\$463.2	\$422.7	\$59.6	\$66.9	\$93.8	\$101.4	\$165.4	\$196.0	\$212.0
GAAP EPS*	(\$4.02)	\$0.68	(\$2.65)	(\$0.92)	\$2.39	(\$0.30)	(\$0.43)	\$0.86	\$2.22	\$2.96

* GAAP EPS are adjusted to reflect a 10-for-1 reverse split in June 2019. 2014-2016 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.

- **HSON's 3Q:21 revenue surged 77% (72% in constant currency) to \$45 million, 11% above our estimate. Adjusted net revenue (ANR; or gross profit, which is viewed as a stronger indicator of underlying business trends) jumped 93% year-to-year to \$18 million, more than 16% above our forecast.**
- **Growth was seen across all three operating segments, with particular strength in the Americas (39% of ANR), which posted an ANR gain of 315% over 3Q:20. Organic growth in the unit was a healthy 40% but most of the gain came from the 4Q:20 Coit acquisition, where results are resoundingly exceeding expectations.**
- **Salaries and related expenses were higher than expected to accommodate the robust growth but HSON still posted 3Q:21 EPS of \$0.49, in part due to a tax benefit (added about \$0.08), versus our EPS estimate of \$0.45 and a loss per share of \$0.41 in 3Q:20.**
- **Upon review, we found our 2022 outlook too conservative. In addition to improved RPO traction in all regions, we now include the recently announced *Karani* acquisition and greater operating leverage we expect as the business scales.**
- **Furthermore, if we use the *Coit* deal as a base case and apply a similar growth, margin profile and adjusted EBITDA trajectory for *Karani*, it adds even more upside to our 2022 estimates. Accordingly, we raise our ANR estimate to \$83 million, from \$68 million, which leads to our higher 2022 EPS estimate of \$2.22, from \$1.25.**
- **We introduce our 2023 forecasts of ANR of \$92 million and EPS of \$2.96.**
- **HSON ended 3Q:21 with no debt and net cash of \$26 million. Following the *Karani* transaction and given our EPS and FCF outlooks of \$0.02 per share in 2021, \$2.15 in 2022 and \$2.97 in 2023, we forecast year-end 2023 net cash of \$30 million.**
- **Now that the business has hit an inflection point, in our view, longer-term annual EPS growth could approximate 20%, using 2022 as the base year. We thus trim our valuation multiple to 20x (from 25x) but when applied to our new 2022 EPS**

NR

Price Target: \$44

Price: \$21.88

Risk Rating: M

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Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$60
Enterprise Value	\$30
52-Week Range (NASDAQ)	23-10
5-Year EPS CAGR	20%
Avg. Daily Trading Volume	9,000
Shares Out (Mil)	2.690
Float Shares (Mil)	2.245
Insider Ownership	13%
Institutional Holdings	59%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2023E)*	\$2.97
FCF Yield (2023E)	13.6%
Net Cash Per Share (2023E)	\$10.41
Price to Book Value	1.4x
Return on Equity (2023E)	20.0%
Total Debt to Capital	2%
Interest Coverage Ratio	N/A
Short Interest %	0.3%
Short Interest Days To Cover	1.8
Russell 2000	2,437
Russell 2000 – Last 12 Months	48.7%
HSON – Last 12 Months	86.8%



estimate of \$2.22, it increases our price target to \$44 (from \$31).

- The Moderately Risky rating reflects HSON's sound financial profile and expectations for sustained profitability.

HSON's 3Q:21 results reflected broad-based gains across all segments and an accelerated recovery highlighted by the outperformance of *Coit*, part of the rapidly growing *Americas* arm. HSON posted consolidated revenue of \$45 million in 3Q:21, more than 11% above our \$40 million estimate, up 77% (72% in constant currency) year-to-year. The company prefers to focus on gross profit, or "adjusted net revenue" (ANR), as the better metric to track the company's underlying growth, relative to GAAP revenue. This is due to a higher overall mix of MSP (managed service provider) work, where a typical contract inflates GAAP revenue, due to labor cost pass-throughs. Looking at ANR, the company achieved 93% constant currency year-to-year growth, to \$18 million, which was about 16% above our \$15 million estimate. Similar to 2Q:21, the outperformance relative to our model was broad-based across all three operating regions/segments. We remain encouraged by the accelerating recovery within *Hudson Americas* (33%); ANR surged 315% over 3Q:20 in constant currency. In addition to a healthy 40% organic growth number, most of the improvement came from the October 2020 acquisition of *Coit Group*, a recruitment process outsourcing (RPO) provider with a clientele of high-growth technology companies. It is apparent that a growing digital transformation/tech enablement movement, along with a shortage of qualified IT talent, is amplifying companies' needs for these professionals. Accordingly, we have seen outsized performance within *HSON Americas* as the company has successfully leveraged its global platform to accommodate *Coit's* installed client base/relationships; we see this trend continuing into 2022. Looking further at the results, we saw elevated operating expenses in the quarter due in part to sales and marketing initiatives, headcount additions and other costs tied to the rapidly scaling business, including higher comp expense from *Coit's* outperformance. As a result, HSON posted 3Q:21 operating income of \$1.4 million, which was shy of our \$1.6 million estimate. However, adjusted EBITDA (excludes non-cash items) hit a record \$3 million, versus our \$1.7 million estimate. Overall, HSON posted 3Q:21 EPS of \$0.49, which includes a tax benefit of roughly \$0.08, compared to our \$0.45 estimate and the loss per share of \$0.41 in the year prior quarter.

Exhibit 1: Hudson Global, Inc. Results Variance Table (\$ in '000s, except per share data)

	3Q:21 Actual	3Q:20 Actual	3Q:21 Estimated	Variance (Act. Vs. Est.)	% change	Variance ('21 vs. '20)	% change
Revenue	\$45,010	\$25,413	\$40,350	\$4,660	11.5%	\$19,597	77.1%
Gross Profit	18,031	9,070	15,501	2,530	16.3%	\$8,961	98.8%
Adjusted EBITDA (Loss)	2,974	(661)	1,730	1,244	71.9%	\$3,635	NM
Operating Income (Loss)	1,361	(1,102)	1,610	(249)	-15.5%	\$2,463	NM
Net Income	1,494	(1,157)	1,296	198	15.3%	\$2,651	NM
Diluted GAAP EPS	\$0.49	(\$0.41)	\$0.45	0.05	10.6%	\$0.90	NM
Adjusted EPS (per HSON)	\$0.78	(\$0.13)	\$0.61	0.17	27.5%	\$0.91	NM

Sources: Company filings and Sidoti & Company, LLC estimates

We raise our 2022 projections to reflect greater operating leverage we see in the model as the business scales, as well as a recently announced acquisition. Last week, HSON announced the acquisition of *Karani, LCC*, a Chicago-based recruiting services provider that serves mostly U.S.-based customers from operations in India and the Philippines. Management contends, and we agree, that the deal will enhance the company's "global delivery capability and open up opportunities to win new business in India and other new markets". Similar to *Coit*, we expect the deal, which should close this quarter, to be immediately accretive to HSON's results. According to the filing, the total purchase price was \$8 million, with \$6 million in cash to be paid up front and a promissory note in the aggregate amount of \$2 million to be paid in two installments 6 and 18 months after closing. Although *Karani's* financials are not yet available, we note that the transaction terms/price are similar to that of *Coit's* and, thus, anticipate a similar contribution to what we originally expected from *Coit* at the end of last year, which was roughly \$6-\$8 million in annual adjusted net revenue/gross profit dollars. Additionally, we consider the pace of new business wins and growing prospect funnel that supported the strong 3Q:21 results noted above. Given these items, we raise our 2022 ANR estimate to \$83 million, from \$68 million. Coupled with additional operating leverage we see emerging as the business scales, we increase our full-year 2022 EPS estimate to \$2.22, from \$1.25. We also introduce our 2023 outlooks: ANR advancing to \$92 million and EPS expanding to \$2.96.

HSON maintain a robust financial profile, in our view. Hudson ended 3Q:21 with net cash of \$26 million and no debt. We expect the company to achieve positive operating cash flow through 2023. Based on our EPS and cash flow assumptions, and now incorporating the *Karani* deal, we forecast a year-end 2023 net cash balance of \$30 million. As for capital allocation, we think management will focus on share repurchases (the company has reduced the share count by 15% since the beginning of 2019 and \$1.7 million remains under the current share repurchase program) and bolt-on acquisitions (similar to the *Coit* and *Karani* deals) that could expand HSON's service offering and/or global footprint. We note that our estimates include no potential deals.

Valuation	<p>We raise the price target to \$44 (from \$31) and maintain a Moderately Risky rating on HSON shares. HSON's business appears to have hit an inflection point, and we now think longer-term annual EPS growth could approximate 20%; we thus adjust our 5-year EPS CAGR projection to 20% (from 25%), using a 2022 base year. Accordingly, we now employ a 20x valuation multiple, which when applied to our new 2022 EPS estimate of \$2.22, increases our price target to \$44; we previously valued the stock at 25x our prior 2022 EPS estimate of \$1.25. We note that our valuation multiple is still a premium to the mid-teen multiples accorded peers, as it reflects the company's steady business model, blue-chip customer base, lower overall risk profile, as well as credit for strong financials. Additionally, if we apply a multiple roughly in line with the peer group average (16x) to our 2022 EPS estimate and add \$8 in projected year-end 2022 cash per share, this also yields a \$44 target. The Moderately Risky rating reflects HSON's robust balance sheet and our expectation for sustained profitability going forward.</p>		
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	SepA	DecE	2021E	MarE	JunE	SepE	DecE	2022E	2023E
Revenue	\$ 93,811	\$ 24,131	\$ 24,573	\$ 25,413	\$ 27,331	\$ 101,448	\$ 34,461	\$ 39,674	\$ 45,010	\$ 46,250	\$ 165,395	\$ 47,500	\$ 48,750	\$ 49,750	\$ 50,000	\$ 196,000	\$ 212,000
Direct Costs	50,245	14,333	15,643	16,343	16,048	62,367	21,743	24,583	26,979	27,126	100,431	28,435	28,189	28,335	28,418	113,378	120,085
Gross Profit	43,566	9,798	8,930	9,070	11,283	39,081	12,718	15,091	18,031	19,124	64,964	19,065	20,561	21,415	21,582	82,622	91,915
<u>Operating Expenses:</u>																	
Salaries and Related	45,142	10,298	9,789	10,147	11,314	41,548	12,590	14,683	16,553	17,227	61,053	18,056	18,637	17,619	17,381	71,693	77,913
Depreciation and Amortization	85	24	24	25	106	179	110	113	117	195	535	200	200	200	190	790	730
Total Operating Expenses	45,227	10,322	9,813	10,172	11,420	41,727	12,700	14,796	16,670	17,422	61,588	18,256	18,837	17,819	17,571	72,483	78,643
Operating (Loss) Income	(1,661)	(524)	(883)	(1,102)	(137)	(2,646)	18	295	1,361	1,702	3,376	809	1,724	3,596	4,011	10,139	13,272
Interest Income, net	617	79	40	14	16	149	10	9	8	9	36	6	7	7	8	28	36
Other Income (Expense), net	(338)	41	337	96	1,315	1,789	(53)	(37)	33	-	(57)	-	-	-	-	-	-
(Loss) Income Before Income Taxes	(1,382)	(404)	(506)	(992)	1,194	(708)	(25)	267	1,402	1,711	3,355	815	1,731	3,603	4,019	10,167	13,308
Income Tax (Benefit)	(540)	107	266	165	(3)	535	178	389	(92)	342	817	285	606	1,261	1,407	3,558	4,658
Net (Loss) Income (from Cont. Ops)	(955)	(511)	(772)	(1,157)	1,197	(1,243)	(203)	(122)	1,494	1,369	2,538	530	1,125	2,342	2,612	6,609	8,650
Diluted (Loss) EPS	\$ (0.30)	\$ (0.17)	\$ (0.27)	\$ (0.41)	\$ 0.41	\$ (0.43)	\$ (0.07)	\$ (0.04)	\$ 0.49	\$ 0.46	\$ 0.86	\$ 0.18	\$ 0.38	\$ 0.79	\$ 0.89	\$ 2.22	\$ 2.96
Avg. Diluted Shares O/S	3,131	3,065	2,839	2,858	2,894	2,911	2,891	2,906	3,022	3,000	2,955	3,000	2,975	2,975	2,950	2,975	2,925
EBITDA Analysis:																	
Adjusted EBITDA (loss)	457	(78)	(367)	(661)	750	(356)	753	1,682	2,974	3,057	8,466	1,984	2,799	4,571	4,976	14,329	16,002
Margin Analysis:																	
Gross Margin	46.4%	40.6%	36.3%	35.7%	41.3%	38.5%	36.9%	38.0%	40.1%	41.3%	39.3%	40.1%	42.2%	43.0%	43.2%	42.2%	43.4%
Salaries and Related as a % of Revenue	48.1%	42.7%	39.8%	39.9%	41.4%	41.0%	36.5%	37.0%	36.8%	37.2%	36.9%	38.0%	38.2%	35.4%	34.8%	36.6%	36.8%
Adjusted EBITDA (loss) Margin	0.5%	-0.3%	-1.5%	-2.6%	2.7%	-0.4%	2.2%	4.2%	6.6%	6.6%	5.1%	4.2%	5.7%	9.2%	10.0%	7.3%	7.5%
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%	16.5%	16.0%	13.0%	10.4%	13.6%	21.3%	23.1%	17.3%	17.4%
Operating Margin	-1.8%	-2.2%	-3.6%	-4.3%	-0.5%	-2.6%	0.1%	0.7%	3.0%	3.7%	2.0%	1.7%	3.5%	7.2%	8.0%	5.2%	6.3%
Effective Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	20.0%	24.4%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Net Margin (from continuing operations)	-1.0%	-2.1%	-3.1%	-4.6%	4.4%	-1.2%	-0.6%	-0.3%	3.3%	3.0%	1.5%	1.1%	2.3%	4.7%	5.2%	3.4%	4.1%
Year-Over-Year Comparisons:																	
Total Revenue Growth	40.2%	49.1%	-7.0%	-1.4%	7.4%	8.1%	42.8%	61.5%	77.1%	69.2%	63.0%	37.8%	22.9%	10.5%	8.1%	18.5%	8.2%
Gross Profit Growth	3.5%	4.3%	-23.4%	-20.4%	1.5%	-10.3%	29.8%	69.0%	98.8%	69.5%	66.2%	49.9%	36.2%	18.8%	12.9%	27.2%	11.2%
Adjusted EBITDA Growth	NM	NM	NM	NM	-15.6%	NM	NM	NM	NM	NM	NM	NM	66.4%	53.7%	62.8%	69.3%	11.7%
Operating Income Growth	NM	NM	NM	NM	NM	59.3%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	30.9%
Net Income Growth	NM	NM	NM	NM	-19.3%	NM	NM	NM	NM	NM	NM	NM	NM	56.8%	90.8%	NM	30.9%
Diluted EPS Expansion	NM	NM	NM	NM	-13.2%	NM	NM	NM	NM	NM	NM	NM	NM	59.2%	94.1%	NM	33.1%

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	SepA	2021E	2022E	2023E
Cash Flows From Operating Activities:											
Net (Loss) Income	\$ (955)	\$ (511)	\$ (772)	\$ (1,157)	\$ (1,243)	\$ (203)	\$ (122)	\$ 1,494	\$ 2,538	\$ 6,609	\$ 8,650
Depreciation and Amortization	85	24	24	25	179	110	113	117	535	790	730
Provision for Doubtful Accounts	80	2	7	24	34						
(Benefit from) Provision for Deferred Income Taxes	(210)	66	12	(2)	(169)	(70)	(175)	(78)	(350)	(350)	(350)
Stock-Based Compensation	961	144	93	334	737	302	794	699	1,945	1,500	1,600
Gain on Sale of Consolidated Subsidiaries											
Gross Cash Flow	(39)	(275)	(636)	(776)	(462)	139	610	2,232	4,668	8,549	10,630
Operating Sources (Uses):											
Change in Accounts Receivable	(2,941)	(1,083)	1,188	728	672	(3,813)	(2,579)	(1,942)	(8,755)	(2,550)	(1,343)
Change in Prepaid and Other Assets	652	(94)	(498)	174	(34)	(22)	88	(524)	(614)	(122)	(106)
Change in Accounts Payable, Accrued and Other	(2,500)	(1,278)	1,821	(629)	(1,602)	1,284	2,880	2,490	6,902	2,156	1,227
Total Changes in Working Capital	(4,789)	(2,455)	2,511	273	(964)	(2,551)	389	24	(2,467)	(516)	(221)
Operating Cash Flow	(4,828)	(2,730)	1,875	(503)	(1,426)	(2,412)	999	2,256	2,201	8,032	10,409
CAPEX	(84)	(10)	(1)	(8)	(22)	(40)	(82)	(26)	(200)	(150)	(125)
Free Cash Flow	(4,912)	(2,740)	1,874	(511)	(1,448)	(2,452)	917	2,230	2,001	7,882	10,284
Free Cash Flow (ex Stock-Based Comp)	(5,873)	(2,884)	1,781	(845)	(2,185)	(2,754)	123	1,531	56	6,382	8,684
Cash Flows From Investing Activities											
Proceeds From Disposition of Assets, net											
Acquisition of Coit Group					(3,997)						
Acquisition of Karani									(6,000)		
Cash Flows From Financing Activities											
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)	0
Promissory Note Payable to Karani Sellers										(1,000)	(1,000)
RSUs for Coit Group									(167)	(167)	0
Proceeds from Gov't Lending			1,326	0	1,326						
Purchase of Treasury Stock	(4,545)	(2,239)	0	0	(2,239)				(1,000)	(2,500)	(2,500)
Purchase of Restricted Stock from Employees	(41)	(11)	(3)	0	(14)		(4)	0	(4)	(50)	(50)
Total Cash Flows From Investing and Financing	(4,586)	(2,250)	1,323	0	(4,924)	0	(4)	0	(7,621)	(4,167)	(3,550)
Beginning Cash and Equivalents	41,060	31,718	26,500	29,896	31,718	26,199	23,591	24,528	26,199	20,447	24,163
Effects of Exchange Rates	156	(228)	199	348	853	(156)	24	(234)	(132)	0	0
Change in Cash	(9,342)	(5,218)	3,396	(163)	(5,519)	(2,608)	937	1,996	(5,752)	3,715	6,734
Ending Cash and Equivalents	31,718	26,500	29,896	29,733	26,199	23,591	24,528	26,524	20,447	24,163	30,896
<i>Less: Restricted Cash + Cash from Discon. Ops</i>	<i>528</i>	<i>373</i>	<i>379</i>	<i>388</i>	<i>393</i>	<i>441</i>	<i>333</i>	<i>334</i>	<i>400</i>	<i>450</i>	<i>450</i>
Ending Cash and Equiv. Available to Shareholders	31,190	26,127	29,517	29,345	25,806	23,150	24,195	26,190	20,047	23,713	30,446
Per Share Data (Diluted Shares):											
Gross Cash Flow	(0.01)	(0.09)	(0.22)	(0.27)	(0.16)	0.05	0.21	0.74	1.58	2.87	3.63
Operating Cash Flow	(1.54)	(0.89)	0.66	(0.18)	(0.49)	(0.83)	0.34	0.75	0.74	2.70	3.56
Free Cash Flow	(1.57)	(0.89)	0.66	(0.18)	(0.50)	(0.85)	0.32	0.74	0.68	2.65	3.52
Free Cash Flow (ex Stock-Based Comp)	(1.88)	(0.94)	0.63	(0.30)	(0.75)	(0.95)	0.04	0.51	0.02	2.15	2.97
Number of Shares (Diluted)	3,131	3,065	2,839	2,858	2,911	2,891	2,906	3,022	2,955	2,975	2,925

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	SepA	2021E	2022E	2023E
Assets											
Current Assets:											
Cash and Cash Equivalents	\$ 31,190	\$ 26,127	\$ 29,517	\$ 29,345	\$ 25,806	\$ 23,150	\$ 24,195	\$ 26,190	\$ 20,047	\$ 23,713	\$ 30,446
Accounts Receivable, net	12,795	12,778	12,300	11,916	13,445	17,118	19,569	20,970	22,200	24,750	26,093
Prepaid and Other	804	846	1,366	154	889	904	817	1,317	1,503	1,625	1,731
Restricted Cash, current	148	146	154	1,213	152	210	116	109	100	100	100
Total Current Assets	44,937	39,897	43,337	42,628	40,292	41,382	44,697	48,586	43,850	50,188	58,370
Property and Equipment, net	186	164	146	132	115	125	174	159	255	295	300
Goodwill					2,088	2,088	2,088	2,088	6,213	6,213	6,213
Intangible Assets, net					1,400	1,320	1,240	1,160	3,130	2,420	1,540
Operating Lease Right-of-Use Assets	401	391	325	269	210	737	630	514	750	750	750
Deferred Tax Assets, non-current	793	626	696	725	1,037	1,093	1,253	1,288	1,500	1,500	1,500
Restricted Cash, non-current	380	227	225	234	241	231	217	225	300	350	350
Other Assets	7	7	7	7	3	5	4	5	105	105	105
Total Assets	\$ 46,704	\$ 41,312	\$ 44,736	\$ 43,995	\$ 45,386	\$ 46,981	\$ 50,303	\$ 54,025	\$ 56,103	\$ 61,821	\$ 69,128
Liabilities											
Current Liabilities:											
Accounts Payable	\$ 1,064	\$ 697	\$ 670	\$ 392	\$ 576	\$ 437	\$ 538	\$ 390	\$ 1,156	\$ 1,375	\$ 1,464
Accrued Expenses and Other Current	8,178	6,607	8,988	8,920	9,241	10,547	13,203	15,925	15,563	17,500	18,638
Promissory Note for Karani									1,000	1,000	
Operating Lease Obligation, current	246	267	267	230	192	448	396	344	300	300	300
Total Current Liabilities	9,488	7,571	10,514	10,352	10,009	11,432	14,137	16,659	18,019	20,175	20,402
Income Tax Payable, non-current	845	819	843	859	887	903	923	467	1,388	1,600	1,704
Operating Lease Obligations, non-current	160	129	63	43	22	302	243	177	150	150	150
Promissory Note for Karani									1,000		
Other Non-Current Liabilities	177	163	187	167	188	193	197	192	175	175	175
Total Liabilities	10,670	8,682	12,344	11,937	11,106	12,830	15,500	17,495	20,732	22,100	22,431
Shareholders' Equity											
Common Stock	4	4	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	488,620	488,697	489,563	490,964
Accumulated Deficit	(436,507)	(437,018)	(437,790)	(438,947)	(437,750)	(437,953)	(438,075)	(436,581)	(435,917)	(429,308)	(420,658)
Accumulated Other Comprehensive Loss, net	(479)	(1,266)	(822)	(333)	526	300	282	(184)	(374)	(949)	(1,474)
Treasury Stock	(13,072)	(15,322)	(15,325)	(15,325)	(15,325)	(15,327)	(15,329)	(15,329)	(17,039)	(19,589)	(22,139)
Total Shareholders' Equity	36,034	32,630	32,392	32,058	34,280	34,151	34,803	36,530	35,371	39,721	46,697
Liabilities and Shareholders' Equity	\$ 46,704	\$ 41,312	\$ 44,736	\$ 43,995	\$ 45,386	\$ 46,981	\$ 50,303	\$ 54,025	\$ 56,103	\$ 61,821	\$ 69,128
Selected Data:											
Working Capital	35,449	32,326	32,823	32,276	30,283	29,950	30,560	31,927	25,831	30,013	37,968
Current Ratio (times)	4.74	5.27	4.12	4.12	4.03	3.62	3.16	2.92	2.43	2.49	2.86
Long-Term Debt to Total-Capital	1%	1%	5%	5%	1%	2%	2%	1%	1%	1%	1%
ROA (average, ttm)	NM	1.0%	1.2%	-2.1%	-2.7%	-2.1%	-0.6%	4.8%	5.0%	11.2%	13.2%
ROE (average, ttm)	NM	1.2%	1.6%	-2.9%	-3.5%	-2.8%	-0.8%	6.9%	7.3%	17.6%	20.0%
Net Cash per Share	9.96	8.52	9.93	9.80	8.86	8.01	8.33	8.67	6.78	7.97	10.41
BV per share	12.27	12.17	12.06	11.94	12.77	12.70	12.89	13.49	13.10	14.71	17.30
DSO	42	48	42	39	41	41	41	39	40	38	38

Sources: Sidoti & Company, LLC estimates; Company reports

Appendix Required Disclosures

Required Disclosures

Hudson Global, Inc. (HSON-\$21.88) NR Price Target: \$44 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	
PT	10/19/21	16.2		31	



Source: FactSet Prices

Valuation

We raise the price target to \$44 (from \$31) and maintain a Moderately Risky rating on HSON shares. HSON's business appears to have hit an inflection point, and we now think longer-term annual EPS growth could approximate 20%; we thus adjust our 5-year EPS CAGR projection to 20% (from 25%), using a 2022 base year. Accordingly, we now employ a 20x valuation multiple, which when applied to our new 2022 EPS estimate of \$2.22, increases our price target to \$44; we previously valued the stock at 25x our prior 2022 EPS estimate of \$1.25. We note that our valuation multiple is still a premium to the mid-teen multiples accorded peers, as it reflects the company's steady business model, blue-chip customer base, lower overall risk profile, as well as credit for strong financials. Additionally, if we apply a multiple roughly in line with the peer group average (16x) to our 2022 EPS estimate and add \$8 in projected year-end 2022 cash per share, this also yields a \$44 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

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