

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended September 30, 2023

or

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: 001-38704

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, Suite 102, Old Greenwich, CT 06870

(Address of principal executive offices) (Zip Code)

(475) 988-2068

(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 No

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 No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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.

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

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 October 20, 2023
Common Stock - \$0.001 par value	2,815,033

HUDSON GLOBAL, INC.
INDEX

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
Item 1.	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Statements of Operations - Three and Nine Months Ended September 30, 2023 and 2022</u> 1
	<u>Condensed Consolidated Statements of Other Comprehensive Income (Loss) - Three and Nine Months Ended September 30, 2023 and 2022</u> 2
	<u>Condensed Consolidated Balance Sheets – September 30, 2023 and December 31, 2022</u> 3
	<u>Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2023 and 2022</u> 4
	<u>Condensed Consolidated Statements of Stockholders' Equity – Three and Nine Months Ended September 30, 2023 and 2022</u> 5
	<u>Notes to Condensed Consolidated Financial Statements</u> 6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 29
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 44
Item 4.	<u>Controls and Procedures</u> 44
<u>PART II – OTHER INFORMATION</u>	
Item 1.	<u>Legal Proceedings</u> 45
Item 1A.	<u>Risk Factors</u> 45
Item 2.	<u>Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities</u> 45
Item 3.	<u>Defaults Upon Senior Securities</u> 45
Item 4.	<u>Mine Safety Disclosures</u> 46
Item 5.	<u>Other Information</u> 46
Item 6.	<u>Exhibits</u> 47
	<u>Exhibit Index</u> 47
	<u>Signatures</u> 48

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 39,398	\$ 48,686	\$ 127,367	\$ 157,326
Operating expenses:				
Direct contracting costs and reimbursed expenses	20,028	24,487	63,650	80,280
Salaries and related	14,335	18,897	49,206	56,379
Office and general	2,503	2,675	7,991	7,863
Marketing and promotion	881	1,015	2,794	3,049
Depreciation and amortization	374	356	1,076	1,017
Total operating expenses	<u>38,121</u>	<u>47,430</u>	<u>124,717</u>	<u>148,588</u>
Operating income	1,277	1,256	2,650	8,738
Non-operating income (expense):				
Interest income, net	90	23	284	28
Other (expense) income, net	(404)	16	(321)	(42)
Income before income taxes	963	1,295	2,613	8,724
Provision for income taxes	430	340	1,148	1,657
Net income	<u>\$ 533</u>	<u>\$ 955</u>	<u>\$ 1,465</u>	<u>\$ 7,067</u>
Earnings per share:				
Basic	\$ 0.17	\$ 0.31	\$ 0.48	\$ 2.35
Diluted	\$ 0.17	\$ 0.30	\$ 0.47	\$ 2.25
Weighted-average shares outstanding:				
Basic	3,068	3,034	3,062	3,010
Diluted	3,141	3,150	3,134	3,138

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Comprehensive income (loss):				
Net income	\$ 533	\$ 955	\$ 1,465	\$ 7,067
Other comprehensive loss:				
Foreign currency translation adjustment, net of income taxes	(498)	(1,151)	(561)	(2,426)
Total other comprehensive loss, net of income taxes	<u>(498)</u>	<u>(1,151)</u>	<u>(561)</u>	<u>(2,426)</u>
Comprehensive income (loss)	<u><u>\$ 35</u></u>	<u><u>\$ (196)</u></u>	<u><u>\$ 904</u></u>	<u><u>\$ 4,641</u></u>

See accompanying notes to Condensed Consolidated Financial Statements.

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

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,610	\$ 27,123
Accounts receivable, less allowance for expected credit losses of \$ 146 and \$51, respectively	24,889	26,270
Restricted cash, current	171	160
Prepaid and other	2,285	1,959
Total current assets	48,955	55,512
Property and equipment, net of accumulated depreciation of \$ 1,166 and \$950, respectively	478	673
Operating lease right-of-use assets	1,101	685
Deferred tax assets, net	1,450	1,475
Restricted cash	195	194
Goodwill	4,871	4,875
Intangible assets, net of accumulated amortization of \$ 2,485 and \$1,647, respectively	3,694	4,516
Other assets	12	12
Total assets	<u>\$ 60,756</u>	<u>\$ 67,942</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 613	\$ 1,678
Accrued salaries, commissions, and benefits	5,699	11,584
Accrued expenses and other current liabilities	6,265	6,273
Note payable – short term	—	1,250
Operating lease obligations, current	541	337
Total current liabilities	13,118	21,122
Income tax payable	—	81
Operating lease obligations	560	348
Other liabilities	442	599
Total liabilities	<u>14,120</u>	<u>22,150</u>
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 shares authorized; 3,891 and 3,823 shares issued; 2,815 and 2,794 shares outstanding, respectively	4	4
Additional paid-in capital	492,554	491,567
Accumulated deficit	(425,980)	(427,394)
Accumulated other comprehensive loss, net of applicable tax	(2,200)	(1,639)
Treasury stock, 1,076 and 1,029 shares, respectively, at cost	(17,742)	(16,746)
Total stockholders' equity	46,636	45,792
Total liabilities and stockholders' equity	<u>\$ 60,756</u>	<u>\$ 67,942</u>

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 1,465	\$ 7,067
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,076	1,017
Provision for expected credit losses	44	26
Benefit from deferred income taxes	(38)	(245)
Stock-based compensation	987	1,786
Changes in operating assets and liabilities, net of effect of dispositions:		
Decrease (increase) in accounts receivable	876	(6,154)
Increase in prepaid and other assets	(365)	(1,136)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(7,066)	2,736
Net cash (used in) provided by operating activities	<u>(3,021)</u>	<u>5,097</u>
Cash flows from investing activities:		
Capital expenditures	(64)	(430)
Cash paid for acquisitions, net of cash acquired	—	(825)
Net cash used in investing activities	<u>(64)</u>	<u>(1,255)</u>
Cash flows from financing activities:		
Payments for business acquisition liabilities	(1,250)	(620)
Purchase of treasury stock	(774)	(1,131)
Cash paid for net settlement of employee restricted stock units	(222)	(246)
Net cash used in financing activities	<u>(2,246)</u>	<u>(1,997)</u>
Effect of exchange rates on cash, cash equivalents and restricted cash	(170)	(1,214)
Net (decrease) increase in cash, cash equivalents and restricted cash	(5,501)	631
Cash, cash equivalents, and restricted cash, beginning of the period	27,477	22,113
Cash, cash equivalents, and restricted cash, end of the period	<u>\$ 21,976</u>	<u>\$ 22,744</u>
Supplemental disclosures of cash flow information:		
Cash received during the period for interest	\$ 285	\$ 28
Net cash payments during the period for income taxes	\$ 1,979	\$ 2,322
Cash paid for amounts included in operating lease liabilities	\$ 412	\$ 390
Supplemental non-cash disclosures:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 837	\$ 772
Business acquisition contingent consideration liability	\$ —	\$ 150

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended				Nine Months Ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Total stockholders' equity, beginning balance	2,823	\$ 46,684	2,822	\$ 45,168	2,794	\$ 45,792	2,707	\$ 39,316
Common stock and additional paid-in capital:								
Beginning balance	3,889	492,427	3,816	490,494	3,823	491,571	3,694	489,253
Stock-based compensation expense	2	131	2	545	68	987	124	1,786
Ending balance	3,891	492,558	3,818	491,039	3,891	492,558	3,818	491,039
Treasury stock:								
Beginning balance	(1,066)	(17,528)	(994)	(15,555)	(1,029)	(16,746)	(987)	(15,329)
Purchase of treasury stock	(10)	(201)	(33)	(1,131)	(37)	(774)	(33)	(1,131)
Purchase of net settled restricted stock from employees	—	(13)	—	(20)	(10)	(222)	(7)	(246)
Ending balance	(1,076)	(17,742)	(1,027)	(16,706)	(1,076)	(17,742)	(1,027)	(16,706)
Accumulated other comprehensive loss:								
Beginning balance		(1,702)		(1,360)		(1,639)		(85)
Other comprehensive loss		(498)		(1,151)		(561)		(2,426)
Ending balance		(2,200)		(2,511)		(2,200)		(2,511)
Accumulated deficit:								
Beginning balance		(426,513)		(428,411)		(427,394)		(434,523)
Cumulative-effect adjustment from adoption of ASU 2016-13, Credit Losses		—		—		(51)		—
Net income		533		955		1,465		7,067
Ending balance		(425,980)		(427,456)		(425,980)		(427,456)
Total stockholders' equity, ending balance	<u>2,815</u>	<u>\$ 46,636</u>	<u>2,791</u>	<u>\$ 44,366</u>	<u>2,815</u>	<u>\$ 46,636</u>	<u>2,791</u>	<u>\$ 44,366</u>

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 U.S. 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, 2022.

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 subsidiaries. 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. For more information, see Note 2 to the Condensed Consolidated Financial Statements.

NOTE 2 – DESCRIPTION OF BUSINESS

The Company is comprised of the operations, assets, and liabilities of the Company's three regional businesses: the Americas, Asia Pacific, and Europe. The Company delivers Recruitment Process Outsourcing ("RPO"), services consisting of permanent recruitment and contracting outsourced recruitment solutions. These services are tailored to the individual needs of primarily mid-to-large-cap multinational companies. The Company's RPO delivery teams utilize recruitment process methodologies and project management expertise to meet clients' ongoing business needs. The Company's RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions, and recruitment consulting.

The Company's core service offering is Recruitment Process Outsourcing, consisting of RPO and contracting. The Company provides complete recruitment outsourcing, project-based outsourcing, and recruitment consulting for clients' permanent staff hires. Hudson's RPO services leverage the Company's consultants, supported by the Company's specialists, in the delivery of its proprietary methods to identify, select, and engage the best-fit talent for critical client roles. In addition, the Company provides 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. These services draw upon a combination of specialized recruiting and project management competencies to deliver a wide range of solutions. Hudson-employed professionals - either individually or as a team - are placed with client organizations for a defined period of time based on specific business needs of the client.

The Company operates directly in fourteen countries with three reportable geographic business segments: Americas, Asia Pacific, and Europe. See Note 14 to the Condensed Consolidated Financial Statements for further details regarding the reportable segments.

In December 2019, a novel virus, referred to as COVID-19, was reported. On March 11, 2020, the World Health Organization declared the outbreak to be a pandemic, based on the rapid increase in exposure globally. Despite the decline in infection rates, the COVID-19 pandemic continues to have a lasting impact on various aspects of our business including but not limited to workforce shortages.

The Company believes it can continue to take appropriate actions to manage the business in this challenging environment due to the flexibility of its workforce and the strength of its balance sheet.

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

NOTE 3 – ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". This update was issued by the Financial Accounting Standards Board (the "FASB") in June 2016. This standard requires an impairment model (known as the current expected credit loss ("CECL") model) and replaces the methodology that recognizes impairment of financial instruments when losses have been incurred with a methodology that recognizes impairment of financial instruments when losses are expected. The new standard requires entities to use a forward-looking "expected loss" model for most financial instruments, including accounts receivable and unbilled services that is based on historical information, current information, and reasonable and supportable forecasts.

As a result of adopting the new standard, the Company recognized a cumulative increase to allowances for accounts receivable and unbilled services and a reduction to the 2023 opening balance of retained earnings of \$51. Comparative periods prior to the adoption of this standard and their respective disclosures have not been adjusted. The adoption of ASU 2016-13 did not have a material impact on the Company's Condensed Consolidated Financial Statements.

NOTE 4 – REVENUErecognition

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 input or output method, 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 is 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 our 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. Other than bonuses to be paid to contractors, on behalf of our clients, 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. Certain contract employees are entitled to performance bonuses at the sole discretion of the client and are constrained until approved. Bonuses approved and paid to our contracting employees were approximately \$0.5 million in the nine months ended September 30, 2023, and \$6.1 million in the nine months ended September 30, 2022.

We record accounts receivable when our right to consideration becomes unconditional. Contract assets primarily relate to our rights to consideration for services provided that such rights to consideration 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 transferring control of services. Other than deferred revenue, we do not have any material contract assets or liabilities as of and for the nine months ended September 30, 2023 and 2022. As of September 30, 2023 and December 31, 2022, deferred revenue was \$140 and \$170, respectively.

Payment terms vary by client and the services being provided to the client. 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.

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

We primarily record revenue on a gross basis 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, and are ultimately responsible for paying them.

RPO. We provide complete recruitment outsourcing, project-based outsourcing, and recruitment consulting services for clients' permanent staff hires. We recognize revenue for our RPO 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 contain both fixed fees and variable consideration. Variable consideration is constrained by candidates accepting offers of permanent employment. We recognize revenue on 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 contracts. The costs to fulfill these contracts are expensed as incurred.

We recognize permanent placement revenue when employment candidates accept offers of permanent employment. We have a substantial history of estimating the financial impact of permanent placement candidates who do not remain with our clients through a guarantee period. Fees to clients are generally calculated as a percentage of the new employee's annual compensation. No fees for permanent placement services are charged to employment candidates.

Contracting. We provide clients with a range of outsourced professional contract staffing services and managed service provider services, sometimes offered on a standalone basis and sometimes offered as part of a blended total talent solution. We recognize revenue for our 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 contracts for outsourced professional contract staffing services and managed service provider services. 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.

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

Disaggregation of Revenue

The following table presents our disaggregated revenues by revenue source. For additional information on the revenues by geographical segment, see Note 14 to the Condensed Consolidated Financial Statements.

	Three Months Ended September 30,	
	2023	2022
RPO	\$ 18,876	\$ 23,801
Contracting	20,522	24,885
Total Revenue	\$ 39,398	\$ 48,686

	Nine Months Ended September 30,	
	2023	2022
RPO	\$ 62,316	\$ 75,775
Contracting	65,051	81,551
Total Revenue	\$ 127,367	\$ 157,326

NOTE 5 – ACCOUNT RECEIVABLE, NET

Accounts receivable balances are composed of trade and unbilled receivables. Unbilled accounts receivable represent revenue recorded in advance of processing formal invoices pursuant to the completion of contract provisions and, generally, become billable at contractually specified dates. Unbilled receivables of \$6,024 and \$8,523 as of September 30, 2023 and December 31, 2022, respectively, are expected to be invoiced and collected within one year. The Company records accounts receivable when its right to consideration becomes unconditional. Contract assets primarily relate to our rights to consideration for services provided that they are conditioned on satisfaction of future performance obligations. Accounts receivable, net, are stated at the amount the Company expects to collect, which is net of estimated losses resulting from the inability of its customers to make required payments.

Allowance for Expected Credit Losses

The allowance for doubtful accounts is estimated based on the CECL model and it takes into account information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions. It represents the aggregate amount of credit risk arising from the inability of specific clients to pay our fees or disputes that may affect our ability to fully collect our billed accounts receivable. When determining the collectability of specific customer accounts, a number of factors are evaluated, including: customer creditworthiness, past transaction history with the customer, changes in customer financial stability, payment terms or practices, and effect of market conditions on each customer. Other factors include, but are not limited to, current economic conditions and forward-looking estimates. Our actual experience may vary from our estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay our fees, we may need to record additional provisions for expected credit losses in future periods. The risk of credit losses may be mitigated to the extent that we received a retainer from some of our clients prior to performing services. Changes in allowance for expected credit losses are recorded in office and general expenses on the Condensed Consolidated Statements of Operations and were not material for the three and nine months ended September 30, 2023. Accounts receivable, net of the allowance for expected credit losses, represents the amount we expect to collect. At each reporting date, we adjust the allowance for expected credit losses to reflect our current estimate. Our billed accounts receivables are written off when the potential for recovery is considered remote.

The Company generally establishes customer credit limits and estimates the allowance for credit losses on a country or geographic basis. Customer credit limits are based upon an initial evaluation of the customer's credit quality and we adjust that limit accordingly based upon ongoing credit assessments of the customer, including payment history and changes in credit quality. Consistent with our adoption of ASU 2016-13, effective January 1, 2023 (refer to Note 3 – Accounting

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

Pronouncements), the allowance for expected credit losses is determined based on an assessment of past collection experience as well as consideration of current and future economic conditions and changes in our customer collection trends.

The following table summarizes the components of "Accounts receivable, net" as presented on the Condensed Consolidated Balance Sheets:

	September 30,	December 31,
	2023	2022
Accounts Receivable:		
Billed receivables	\$ 19,011	\$ 17,798
Unbilled receivables	6,024	8,523
Accounts Receivable, Gross	\$ 25,035	\$ 26,321
Allowance for expected credit losses	(146)	(51)
Accounts Receivable, Net	\$ 24,889	\$ 26,270

The following table summarizes the total provision for expected credit losses and write-offs:

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	2023	2022
Beginning balance	\$ 102	\$ 64	\$ 51	\$ 196
Provision for expected credit losses	44	15	44	26
Write-offs	—	(28)	—	(171)
Cumulative-effect adjustment from adoption of ASU 2016-13, Credit Losses	—	—	51	—
Ending Balance	\$ 146	\$ 51	\$ 146	\$ 51

NOTE 6 – ACQUISITIONS

Hunt & Badge Consulting Private Limited

On August 19, 2022, the Company entered into a share purchase agreement by and among Hudson RPO Limited, a wholly owned subsidiary of the Company ("HnB Buyer"), Hunt & Badge Consulting Private Limited ("Seller" or "HnB"), and certain principals of HnB, and completed the acquisition by HnB Buyer of all of the membership interests of the Seller (the "HnB Acquisition").

HnB is a provider of recruitment services to customers operating in India. HnB partners with companies of all sizes, including well-known multinationals, across a variety of industries to help meet their talent procurement needs.

In connection with the HnB Acquisition, Seller received \$1,064 in cash, subject to certain adjustments, at the closing of the HnB Acquisition. Additionally, Seller has a contingent right to receive earn-out payments not to exceed \$350 in aggregate payable over an eighteen-month period, subject to the achievement of certain performance thresholds and, the satisfaction of certain conditions.

The HnB Acquisition was accounted for as a business combination under the acquisition method of accounting. The purchase price of \$ 1,260, which consists of the amount paid in cash of \$1,064, a working capital adjustment of \$ 47, net of an owner receivable of \$ 28, and contingent earn-out payments of up to \$350 (which such earn-out payments are contingent upon the achievement of certain revenue milestones through December 2023), was allocated to the net tangible and intangible assets and liabilities based on their fair values on the acquisition date of August 19, 2022, with the excess recorded as goodwill. None of the goodwill is expected to be deductible for tax purposes. The Company's goodwill represents the expected profit growth over time that is attributable to expanding our footprint and market share in India. The purchase price included \$314 of cash and cash equivalents acquired. As of September 30, 2023, the estimated fair value for the contingent earn-out payments that the Company classified as Level 3 in the fair value hierarchy was \$150, which is the agreed upon minimum payment. These fair value estimates are based on significant inputs not observed in the market and reflect our own assumptions (forecasted revenue) through December 31, 2023.

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

In determining the fair value of the contingent consideration liability, the Company used an estimate based on a number of possible projections over the earn-out period. Given the short duration of the earn-out period, the fair value of contingent liability was measured on an undiscounted basis. The Company will continue to reassess the fair value of the acquisition-related contingent consideration at each reporting period based on additional information as it becomes available. This contingent consideration will be remeasured quarterly. If, as a result of remeasurement, the value of the contingent consideration changes, any charges or income will be marked to market and included in "Other income (expense), net" on the Company's Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2023, no gains or losses were recognized in earnings for changes in the remeasurement of the contingent consideration.

The values assigned to the assets acquired and liabilities assumed are based on the fair value available and may be adjusted during the measurement period of up to 12 months from the date of acquisition as further information becomes available. Excluding the contingent consideration, any changes in the fair values of the assets acquired and liabilities assumed during the measurement period may result in adjustments to goodwill. The Company incurred transaction costs related to the HnB Acquisition of \$63 that were expensed as part of "Office and general". The Company's accounting for the business combination was completed as of December 31, 2022.

The Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2023 included revenue of \$ 8 and \$48, respectively, and net loss of \$47 and \$76, from HnB, respectively.

Below is a summary of the fair value of the net assets acquired on the acquisition date based on internal valuations at the date of the HnB Acquisition.

	Fair Value
Assets Acquired:	
Cash and cash equivalents	\$ 314
Accounts receivable	80
Prepaid expenses and other assets	77
Property and equipment	35
Intangible assets	150
Goodwill	687
Assets Acquired	\$ 1,343
Liabilities Assumed:	
Accrued expenses and other current liabilities	\$ 20
Other long-term liabilities	63
Liabilities Assumed	\$ 83
Fair value of consideration transferred	\$ 1,260

Intangible assets are amortized on a straight-line basis over their estimated useful lives. The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives on the date of the HnB Acquisition.

	Fair Value	Useful Life
Non-compete agreements	\$ 40	3 years
Customer lists	60	3 years
Trade name	50	5 years
Total identifiable assets	\$ 150	

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

Karani, LLC

On October 29, 2021, the Company entered into a membership interest purchase agreement (the "MIPA") by and among the Company, Hudson Global Resources Management, Inc. ("HGRM"), a wholly owned subsidiary of the Company, and Daniel Williams ("Williams"), and completed the acquisition by HGRM of all of the membership interests of Karani, LLC, (the "Karani Acquisition").

Karani, LLC ("Karani") partners with recruitment and staffing firms to assist with recruiting, sourcing, screening, onboarding, and other talent-related services across a variety of industries to customers primarily located in the United States. On the date of acquisition, Karani had approximately 560 employees in India and 120 employees in the Philippines.

As outlined in the MIPA, Williams received (i) \$6,805 in cash subject to certain adjustments set forth in the MIPA at the closing of the Karani Acquisition; and (ii) a non-interest bearing promissory note in the aggregate principal amount of \$2,000, payable in installments on the six-month and eighteen-month anniversaries of the closing date subject to the satisfaction of certain conditions as further described in the MIPA. There are no employment stipulations for Williams associated with the MIPA.

The Karani Acquisition was accounted for as a business combination under the acquisition method of accounting. The purchase price of \$8,673, which consists of the amount paid in cash of \$6,805, a promissory note of \$2,000, and a working capital credit of \$ 132, was allocated to the net tangible and intangible assets and liabilities based on their fair values on the acquisition date of October 29, 2021, with the excess recorded as goodwill. None of the goodwill is expected to be deductible for tax purposes. The Company's goodwill represents the expected profit growth over time that is attributable to increasing our footprint and market share in India. The purchase price included \$737 of cash and cash equivalents acquired. The Company incurred transaction costs related to the acquisition of approximately \$200 that were expensed as part of Office and general on the Consolidated Statements of Operations. In addition to the purchase price, the Company agreed to pay a \$250 retention payment to the Chief Financial Officer of Karani, which is classified as compensation expense, recorded on a straight-line basis. The Company's accounting for the business combination was completed as of December 31, 2021.

The Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2023 included revenue of \$1,393 and \$4,803, and net loss of \$296 and \$896, respectively, from Karani.

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

Below is a summary of the fair value of the net assets acquired on the acquisition date based on external valuations at the date of the Karani Acquisition.

	Fair Value
Assets Acquired:	
Cash and cash equivalents	\$ 737
Accounts receivable	1,521
Restricted cash, current	50
Prepaid expenses and other assets	177
Property and equipment	119
Operating lease right-of-use assets	100
Restricted cash	3
Other long-term assets	19
Intangible assets	4,540
Goodwill	2,131
Assets Acquired	\$ 9,397
Liabilities Assumed:	
Accrued expenses and other current liabilities	\$ 436
Operating lease obligations, current	88
Operating lease obligations, non-current	12
Other long-term liabilities	188
Liabilities Assumed	\$ 724
Fair value of consideration transferred	\$ 8,673

Intangible assets are amortized on a straight-line basis over their estimated useful lives. The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives on the date of the Karani Acquisition.

	Fair Value	Useful Life
Developed technology	\$ 640	3 years
Customer lists	2,800	6 years
Trade name	1,100	10 years
Total identifiable assets	\$ 4,540	

Unaudited Pro Forma Financial Information

The following unaudited consolidated pro forma information gives effect to the acquisition of HnB as if the transaction had occurred on January 1, 2022.

	September 30, 2022	
	Three Months Ended	Nine Months Ended
Revenue	\$ 48,761	\$ 157,562
Net income	\$ 987	\$ 7,120

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

The unaudited pro forma supplemental information provided above is based on estimates and assumptions that the Company believes are reasonable, and reflects the pro forma impact of additional amortization related to the fair value of acquired intangible assets for the three and nine months ended September 30, 2023 and 2022. This supplemental pro forma information has been prepared for comparative purposes and is not intended to reflect what would have occurred had the HnB Acquisition taken place on January 1, 2022.

NOTE 7 – STOCK-BASED COMPENSATION

Incentive Compensation Plan

The Company maintains the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended and restated on May 24, 2016 and further amended on September 14, 2020 and May 17, 2022 (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 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 may also be subject to immediate vesting upon the occurrence of certain events including death, disability, retirement or a change in control of the Company. When we make grants of restricted stock or restricted stock units to our executive officers, including the named executive officers, we enter into Restricted Stock Agreements and Restricted Stock Unit Agreements with such executive officers that contain provisions that are triggered upon a termination of an executive officer or a change in control of our Company. For awards of restricted stock granted beginning on November 6, 2015, effective upon a change in control of our Company, if the executive is employed by us or an affiliate of ours immediately prior to the date of such change in control and is subsequently terminated within 12 months following the date of such change in control, the shares of restricted stock will fully vest and the restrictions imposed upon the restricted stock will be immediately deemed to have lapsed. For awards of restricted stock units granted beginning on March 10, 2016, effective upon a change in control of our Company, if the executive is employed by us or an affiliate of ours immediately prior to the date of such change in control and is subsequently terminated within 12 months following the date of such change in control, the restricted stock units will fully vest and the restrictions imposed upon the restricted stock units will be immediately deemed to have lapsed. 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 17, 2022, the Company’s stockholders at the 2022 Annual Meeting of Stockholders approved amendments to the ISAP to, among other things, increase the number of shares of the Company’s common stock that are reserved for issuance by 250,000 shares. As of September 30, 2023, there were 213,885 shares of the Company’s common stock available for future issuance under the ISAP.

All share issuances related to stock compensation plans are issued from the aforementioned stock available for future issuance under stockholder approved compensation plan.

For the nine months ended September 30, 2023, the Company granted 28,841 restricted stock units subject to performance vesting conditions for the year ended December 31, 2023. For the nine months ended September 30, 2022, the Company granted 50,160 restricted stock units subject to performance vesting conditions for the year ended December 31, 2022, and granted 5,250 of discretionary time-vested restricted stock units to certain employees that were not subject to performance conditions.

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

A summary of the quantity and vesting conditions for stock-based units granted to the Company's employees for the nine months ended September 30, 2023 was as follows:

Vesting conditions	Number of Restricted Stock Units Granted
Performance and service conditions - Type 1 ^{(1) (2)}	7,736
Performance and service conditions - Type 2 ^{(1) (2)}	21,105
Total shares of stock award granted	<u><u>28,841</u></u>

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

(a) For grants to Corporate office employees subject to 2023 performance conditions, 100% of the restricted stock units may be earned on the basis of performance as measured by a "group adjusted EBITDA".

(2) To the extent restricted stock units are earned, 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.

The Company also maintains the Director Deferred Share Plan (the "Director Plan") as part of the ISAP 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 nine months ended September 30, 2023, the Company granted 5,648 restricted stock units to its non-employee directors pursuant to the Director Plan.

As of September 30, 2023, 249,064 restricted stock units are deferred under the Company's ISAP.

For the three and nine months ended September 30, 2023 and 2022, the Company's stock-based compensation expense related to restricted stock units and restricted shares of common stock were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Restricted shares of common stock	\$ —	\$ 17	\$ 16	\$ 91
Restricted stock units	131	528	971	1,695
Total	\$ 131	\$ 545	\$ 987	\$ 1,786

Restricted Stock Units

As of September 30, 2023, the Company had \$ 607 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 0.6 years. Restricted stock units have no voting or dividend rights until the awards are vested.

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

Changes in the Company's restricted stock units for the nine months ended September 30, 2023 and 2022 were as follows:

	Nine Months Ended September 30, 2023					
	Performance-based		Time-based/Director		Total	
	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units at January 1, 2023	130,186	\$ 23.56	33,390	\$ 20.31	163,576	\$ 22.89
Granted	28,841	\$ 22.27	5,648	\$ 21.00	34,489	\$ 22.06
Shares earned above target (a)	3,940	\$ 35.72	—	\$ —	3,940	\$ 35.72
Vested	(58,834)	\$ 22.10	(16,291)	\$ 19.46	(75,125)	\$ 21.53
Forfeited	(8,869)	\$ 35.10	(2,380)	\$ 14.54	(11,249)	\$ 30.75
Unvested restricted stock units at September 30, 2023	<u>95,264</u>	<u>\$ 23.49</u>	<u>20,367</u>	<u>\$ 21.86</u>	<u>115,631</u>	<u>\$ 23.20</u>

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

	Nine Months Ended September 30, 2022					
	Performance-based		Time-based/Director		Total	
	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units at January 1, 2022	121,393	\$ 15.88	46,500	\$ 17.15	167,893	\$ 16.23
Granted	50,160	\$ 35.37	13,571	\$ 37.67	63,731	\$ 35.86
Shares earned above target (a)	36,884	\$ 16.70	—	\$ —	36,884	\$ 16.70
Vested	(78,251)	\$ 15.99	(18,056)	\$ 25.87	(96,307)	\$ 17.84
Forfeited	—	\$ —	(3,675)	\$ 16.04	(3,675)	\$ 16.04
Unvested restricted stock units at September 30, 2022	<u>130,186</u>	<u>\$ 23.56</u>	<u>38,340</u>	<u>\$ 20.41</u>	<u>168,526</u>	<u>\$ 22.84</u>

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

Shares of Common Stock

On October 1, 2020, the Company granted 52,226 restricted shares of common stock to be issued over 30 months in connection with the acquisition of Coit Staffing, Inc. ("Coit Acquisition"), of which all had vested as of June 30, 2023. As of September 30, 2023, the Company did not have any unrecognized stock-based compensation expense related to unvested restricted shares of common stock issued in connection with the Coit Acquisition.

Changes in the Company's restricted shares of common stock for the nine months ended September 30, 2023 and 2022, were as follows:

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

	Nine Months Ended September 30,			
	2023		2022	
	Number of Restricted Shares of Common Stock	Weighted Average Grant-Date Fair Value	Number of Restricted Shares of Common Stock	Weighted Average Grant-Date Fair Value
Unvested restricted shares of common stock at January 1	17,410	\$ 9.57	34,818	\$ 9.57
Vested	(17,410)	\$ 9.57	(17,408)	\$ 9.57
Unvested restricted shares of common stock at September 30,	<u>—</u>	<u>—</u>	<u>17,410</u>	<u>\$ 9.57</u>

NOTE 8 – INCOME TAXES

Income Tax Provision

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 nine months ended September 30, 2023 was \$ 1,148 on a pre-tax income of \$2,613, compared to a provision for income taxes of \$1,657 on pre-tax income of \$8,724 for the same period in 2022. The Company's effective income tax rate was positive 44% and positive 19% for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to foreign tax rate differences, 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, taxes on repatriations or deemed repatriation of foreign profits, and non-deductible expenses, partially offset by a discrete tax benefit recognized following the lapse of certain statutes of limitations related to Spain and recognition of a portion of a deferred tax asset in Canada. For the nine months ended September 30, 2022, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to 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, foreign tax rate differences, and non-deductible expenses.

Uncertain Tax Positions

As of September 30, 2023 and December 31, 2022, the Company had \$ 60 and \$360, respectively, of unrecognized tax benefits, excluding interest and penalties, which if recognized in the future, would lower the Company's effective income tax rate.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as part of the provision for income taxes. As of September 30, 2023 and December 31, 2022, the Company had \$25 and \$129, respectively, of accrued interest and penalties associated with unrecognized tax benefits.

The statute of limitations for capital gains taxes on the transfer of shares in Spain lapsed in January 2023. The FIN48 reserve for Spain capital gains taxes, interest, and penalties of approximately \$408 was released as a tax benefit in the first quarter of 2023.

Based on information available as of September 30, 2023, it is reasonably possible that the total amount of unrecognized tax benefits could decrease by \$85 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)

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 September 30, 2023, the Company's open tax years, which remain subject to examination by the relevant tax authorities, are between 2016 and 2022 depending on the jurisdiction.

The Company believes that its unrecognized tax benefits as of September 30, 2023 are appropriately reflected for all years subject to examination above.

Net Operating Losses ("NOLs"), Capital Losses, and Valuation Allowance

The Company recorded a valuation allowance against all of our consolidated US deferred tax assets for NOLs and Capital Losses as of September 30, 2023 and December 31, 2022. We intend to continue maintaining a full valuation allowance on our deferred tax assets for NOLs until there is sufficient evidence to support the reversal of all or some portion of these allowances in the future.

NOTE 9 – EARNINGS PER SHARE

Basic earnings per share is computed by dividing the Company's net income by the weighted average number of shares outstanding during the period. When the effects are not anti-dilutive, diluted earnings per share is computed by dividing the Company's net income 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 per share calculations for the three and nine months ended September 30, 2023 and 2022 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Earnings per share ("EPS"):				
Basic	\$ 0.17	\$ 0.31	\$ 0.48	\$ 2.35
Diluted	\$ 0.17	\$ 0.30	\$ 0.47	\$ 2.25
EPS numerator - basic and diluted:				
Net income	\$ 533	\$ 955	\$ 1,465	\$ 7,067
EPS denominator (in thousands):				
Weighted average common stock outstanding - basic	3,068	3,034	3,062	3,010
Common stock equivalents: restricted stock units and restricted shares of common stock	73	116	72	128
Weighted average number of common stock outstanding - diluted	<u>3,141</u>	<u>3,150</u>	<u>3,134</u>	<u>3,138</u>

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

The weighted average number of shares outstanding used in the computation of diluted net earnings per share for the three and nine months ended September 30, 2023 and 2022 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Unvested restricted shares of common stock	—	—	—	—
Unvested restricted stock units	—	22,540	300	17,750
Total	—	22,540	300	17,750

NOTE 10- GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company recorded goodwill of \$687 on August 19, 2022 in connection with the HnB Acquisition (See Note 6 for further information on the HnB Acquisition).

For the nine months ended September 30, 2023 and the twelve months ended December 31, 2022, the changes in carrying amount of goodwill were as follows:

	Carrying Value	
	2023	2022
Goodwill, January 1,	\$ 4,875	—
Acquisition	—	—
Currency translation	(4)	—
Goodwill, September 30, 2023	\$ 4,871	—

	Carrying Value	
	2022	2021
Goodwill, January 1,	\$ 4,219	—
Acquisition	687	—
Currency translation	(31)	—
Goodwill, December 31, 2022	\$ 4,875	—

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

Intangible Assets

The Company's intangible assets consisted of the following components as of September 30, 2023 and December 31, 2022:

September 30, 2023	Weighted Average Remaining Amortization Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Non-compete agreements	1.9	\$ 118	\$ (94)	\$ 24
Trade name	7.0	1,547	(461)	1,086
Customer lists	3.7	3,857	(1,516)	2,341
Developed technology	1.2	657	(414)	243
		\$ 6,179	\$ (2,485)	\$ 3,694

December 31, 2022	Weighted Average Remaining Amortization Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Non-compete agreements	2.6	\$ 118	\$ (85)	\$ 33
Trade name	7.6	1,548	(312)	1,236
Customer lists	4.4	3,857	(1,001)	2,856
Developed technology	1.8	640	(249)	391
		\$ 6,163	\$ (1,647)	\$ 4,516

Amortization expense for the three and nine months ended September 30, 2023 was \$278 and \$838, respectively. Intangible assets are amortized on a straight-line basis over their estimated useful lives. No impairment in the value of amortizable intangible assets was recognized during the nine months ended September 30, 2023 and 2022.

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

Estimated future amortization expense for intangible assets for the remainder of the fiscal year ending December 31, 2023, and for each of the next fiscal years are as follows:

2023		\$ 279
2024		1,081
2025		822
2026		586
2027		505
Thereafter		421
		\$ 3,694

The change in the book value of amortizable intangible assets is as follows:

	January 1, 2023 Beginning Balance	Acquisition	Amortization	Translation and Other	September 30, 2023 Ending Balance
Non-compete agreements	\$ 33	\$ —	\$ (9)	\$ —	\$ 24
Trade name	1,236	—	(150)	—	1,086
Customer lists	2,856	—	(514)	(1)	2,341
Developed technology	391	—	(165)	17	243
	\$ 4,516	\$ —	\$ (838)	\$ 16	\$ 3,694

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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 reach the threshold of probable and estimable, the Company establishes reserves for legal, regulatory, and other contingent liabilities. The Company did not have any legal reserves as of September 30, 2023 and December 31, 2022.

Operating Leases

Our office space leases have lease terms of one year to five 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 expiration of 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 nine months ended September 30, 2023 and 2022 were \$877 and \$863, respectively (reflected in Net cash used in operating activities). The weighted average remaining lease term of our operating leases as of September 30, 2023 was 2.2 years.

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

As of September 30, 2023, future minimum operating lease payments are as follows:

	2023	2024	2025	2026	2027	Total
Minimum lease payments	\$ 147	\$ 531	\$ 325	\$ 91	\$ 7	\$ 1,101

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 up to a maximum of 4 million Australian dollars. No receivables have terms greater than 90 days, and any risk of loss is retained by the Australian Borrower. 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 September 30, 2023, there were no amounts outstanding under the NAB Facility Agreement. Interest expense and fees incurred on the NAB Facility Agreement were \$4 and \$13 for the three and nine months ended September 30, 2023, respectively, and \$5 and \$14 for the three and nine months ended September 30, 2022, respectively.

The NAB Facility Agreement contains various restrictions and covenants for the Australian Borrower 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 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 Australian Borrower was in compliance with all financial covenants under the NAB Facility Agreement as of September 30, 2023.

Amounts borrowed from the NAB Facility may be large, contain short maturities and have quick turnovers. Amounts borrowed and repaid are presented on a net basis on the Condensed Consolidated Statements of Cash Flows.

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. On August 8, 2023, the Company's Board of Directors authorized a new stock repurchase program for up to \$5,000 of the Company's outstanding shares of common stock. The Company has repurchased shares from time to time as market conditions warrant. This authorization does not expire. Under the new stock repurchase program, the Company intends to repurchase shares through open market purchases, privately negotiated transactions, block purchases, or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934 (the "Exchange Act").

During the nine months ended September 30, 2023, the Company repurchased a total of 36,842 shares of its common stock on the open market for a cost of \$774. Of these shares, 27,277 shares were repurchased under the July 30, 2015 authorization for \$573, and 9,565 were repurchased under the August 8, 2023 authorization for \$201. In the same period last year, the Company repurchased 32,615 shares of its common stock on the open market for \$ 1,131 under the July 30, 2015 authorization.

As of September 30, 2023, under the July 30, 2015 and August 8, 2023 authorizations combined, the Company had repurchased an aggregate of 502,020 shares for a total cost of \$ 10,201, completing the July 30, 2015 authorization and leaving \$ 4,799 available for purchase under the August 8, 2023 authorization.

The Company cannot predict when or if it will repurchase any shares of common stock as such stock repurchase program will depend on a number of factors, including constraints specified in any Rule 10b5-1 trading plans, price, general business and market conditions, and alternative investment opportunities. Information regarding share repurchases will be available in the Company's periodic reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission as required by the applicable rules of the Exchange Act.

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

NOTE 13 – SHELF REGISTRATION STATEMENT

On June 30, 2022, the Company filed a shelf registration on Form S-3 with the SEC. Under the Form S-3, the Company may offer, issue and sell, from time to time, in one or more offerings and series, together or separately, shares of its common stock, shares of preferred stock, debt securities, subscription rights, purchase contracts, or units, which together shall have an aggregate initial offering price not to exceed \$100,000,000. The registration statement was declared effective by the SEC on July 26, 2022. As of September 30, 2023, no securities had been offered or issued under the registration statement.

NOTE 14 – SEGMENT AND GEOGRAPHIC DATA

Segment Reporting

The Company operates in three reportable segments: the Hudson regional businesses of Americas, Asia Pacific, and Europe. Corporate expenses are reported separately for the three reportable segments and pertain to certain functions, such as executive management, corporate governance, investor relations, legal, accounting, tax, 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 expenses, and are included in the segments' non-operating other income (expense). 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 and long-lived assets are the only significant asset separated by segment for internal reporting purposes.

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

	Americas	Asia Pacific	Europe	Corporate	Inter-Segment Elimination	Total
For The Three Months Ended September 30, 2023						
Revenue, from external customers	\$ 7,167	\$ 26,106	\$ 6,125	\$ —	\$ —	\$ 39,398
Inter-segment revenue	119	—	18	—	(137)	—
Total revenue	<u>\$ 7,286</u>	<u>\$ 26,106</u>	<u>\$ 6,143</u>	<u>\$ —</u>	<u>\$ (137)</u>	<u>\$ 39,398</u>
Adjusted net revenue, from external customers ^(a)	\$ 6,854	\$ 8,694	\$ 3,822	\$ —	\$ —	\$ 19,370
Inter-segment adjusted net revenue	119	(109)	(19)	—	9	—
Total adjusted net revenue	<u>\$ 6,973</u>	<u>\$ 8,585</u>	<u>\$ 3,803</u>	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ 19,370</u>
EBITDA (loss) ^(b)	\$ 20	\$ 1,890	\$ (300)	\$ (363)	\$ —	\$ 1,247
Depreciation and amortization	(313)	(52)	(7)	(2)	—	(374)
Intercompany dividend/interest (expense) income, net	—	(128)	—	128	—	—
Interest income, net	—	2	—	88	—	90
Provision for income taxes	(44)	(520)	26	108	—	(430)
Net income (loss)	<u>\$ (337)</u>	<u>\$ 1,192</u>	<u>\$ (281)</u>	<u>\$ (41)</u>	<u>\$ —</u>	<u>\$ 533</u>
For The Nine Months Ended September 30, 2023						
Revenue, from external customers	\$ 25,008	\$ 81,784	\$ 20,575	\$ —	\$ —	\$ 127,367
Inter-segment revenue	230	—	(6)	—	(224)	—
Total revenue	<u>\$ 25,238</u>	<u>\$ 81,784</u>	<u>\$ 20,569</u>	<u>\$ —</u>	<u>\$ (224)</u>	<u>\$ 127,367</u>
Adjusted net revenue, from external customers ^(a)	\$ 24,097	\$ 26,734	\$ 12,886	\$ —	\$ —	\$ 63,717
Inter-segment adjusted net revenue	230	(147)	(66)	—	(17)	—
Total adjusted net revenue	<u>\$ 24,327</u>	<u>\$ 26,587</u>	<u>\$ 12,820</u>	<u>\$ —</u>	<u>\$ (17)</u>	<u>\$ 63,717</u>
EBITDA (loss) ^(b)	\$ (876)	\$ 5,455	\$ 995	\$ (2,169)	\$ —	\$ 3,405
Depreciation and amortization	(936)	(111)	(22)	(7)	—	(1,076)
Intercompany dividend/interest (expense) income, net	—	(375)	1,218	375	(1,218)	—
Interest income, net	—	6	—	278	—	284
Provision for income taxes	111	(1,440)	(387)	568	—	(1,148)
Net income (loss)	<u>\$ (1,701)</u>	<u>\$ 3,535</u>	<u>\$ 1,804</u>	<u>\$ (955)</u>	<u>\$ (1,218)</u>	<u>\$ 1,465</u>
As of September 30, 2023						
Accounts receivable, net	\$ 6,020	\$ 12,674	\$ 6,195	\$ —	\$ —	\$ 24,889
Long-lived assets, net of accumulated depreciation and amortization ^(c)	\$ 8,119	\$ 867	\$ 39	\$ 18	\$ —	\$ 9,043
Total assets	<u>\$ 18,594</u>	<u>\$ 23,759</u>	<u>\$ 9,912</u>	<u>\$ 8,491</u>	<u>\$ —</u>	<u>\$ 60,756</u>

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

	Americas	Asia Pacific	Europe	Corporate	Inter-Segment Elimination	Total
For The Three Months Ended September 30, 2022						
Revenue, from external customers	\$ 12,555	\$ 29,965	\$ 6,166	\$ —	\$ —	\$ 48,686
Inter-segment revenue	113	4	11	—	(128)	—
Total revenue	<u>\$ 12,668</u>	<u>\$ 29,969</u>	<u>\$ 6,177</u>	<u>\$ —</u>	<u>\$ (128)</u>	<u>\$ 48,686</u>
Adjusted net revenue, from external customers ^(a)	\$ 11,926	\$ 8,324	\$ 3,949	\$ —	\$ —	\$ 24,199
Inter-segment adjusted net revenue	113	(93)	10	—	(30)	—
Total adjusted net revenue ^(a)	<u>\$ 12,039</u>	<u>\$ 8,231</u>	<u>\$ 3,959</u>	<u>\$ —</u>	<u>\$ (30)</u>	<u>\$ 24,199</u>
EBITDA (loss) ^(b)	\$ 810	\$ 1,244	\$ 279	\$ (705)	\$ —	\$ 1,628
Depreciation and amortization	(334)	(14)	(7)	(1)	—	(356)
Intercompany (expense) interest income, net	—	(99)	2,793	2,881	(5,575)	—
Interest (expense) income, net	—	—	—	23	—	23
Provision for income taxes	(31)	(307)	(7)	5	—	(340)
Net income (loss)	<u>\$ 445</u>	<u>\$ 824</u>	<u>\$ 3,058</u>	<u>\$ 2,203</u>	<u>\$ (5,575)</u>	<u>\$ 955</u>
For The Nine Months Ended September 30, 2022						
Revenue, from external customers	\$ 41,581	\$ 91,042	\$ 24,703	\$ —	\$ —	\$ 157,326
Inter-segment revenue	212	16	49	—	(277)	—
Total revenue	<u>\$ 41,793</u>	<u>\$ 91,058</u>	<u>\$ 24,752</u>	<u>\$ —</u>	<u>\$ (277)</u>	<u>\$ 157,326</u>
Adjusted net revenue, from external customers ^(a)	\$ 39,437	\$ 25,711	\$ 11,898	\$ —	\$ —	\$ 77,046
Inter-segment adjusted net revenue	174	(146)	(2)	—	(26)	—
Total adjusted net revenue	<u>\$ 39,611</u>	<u>\$ 25,565</u>	<u>\$ 11,896</u>	<u>\$ —</u>	<u>\$ (26)</u>	<u>\$ 77,046</u>
EBITDA (loss) ^(b)	\$ 5,515	\$ 5,533	\$ 977	\$ (2,312)	\$ —	\$ 9,713
Depreciation and amortization	(960)	(34)	(20)	(3)	—	(1,017)
Intercompany (expense) interest income, net	—	(255)	4,007	4,256	(8,008)	—
Interest (expense) income, net	—	2	—	26	—	28
(Provision for) benefit from income taxes	(99)	(1,382)	(83)	(93)	—	(1,657)
Net income (loss)	<u>\$ 4,456</u>	<u>\$ 3,864</u>	<u>\$ 4,881</u>	<u>\$ 1,874</u>	<u>\$ (8,008)</u>	<u>\$ 7,067</u>
As of December 31, 2022						
Accounts receivable, net	<u>\$ 9,015</u>	<u>\$ 10,900</u>	<u>\$ 6,355</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 26,270</u>
Long-lived assets, net of accumulated depreciation and amortization ^(c)	<u>\$ 9,027</u>	<u>\$ 963</u>	<u>\$ 49</u>	<u>\$ 25</u>	<u>\$ —</u>	<u>\$ 10,064</u>
Total assets	<u><u>\$ 23,775</u></u>	<u><u>\$ 23,662</u></u>	<u><u>\$ 9,568</u></u>	<u><u>\$ 10,937</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 67,942</u></u>

(a) Adjusted net revenue is net of the Direct contracting costs and reimbursed expenses caption on the Condensed Consolidated Statements of Operations. Direct contracting costs and reimbursed expenses 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. The region where services are provided, the mix of RPO and contracting, and the functional nature of the staffing services provided can affect operating income and EBITDA. The salaries, commissions, payroll taxes, and employee benefits related to recruitment professionals are included under the caption "Salaries and related" in the Consolidated Statements of Operations.

(b) 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.

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

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.

(c) Comprised of property and equipment, intangible assets and goodwill, net of accumulated depreciation and amortization.

Geographic Data Reporting

A summary of revenues for the three and nine months ended September 30, 2023 and 2022 and net assets by geographic area as of September 30, 2023 and 2022 and as of December 31, 2022, were as follows:

	Australia	United States	United Kingdom	Other	Total
For The Three Months Ended September 30, 2023					
Revenue ^(a)	\$ 23,620	\$ 6,706	\$ 5,807	\$ 3,265	\$ 39,398
For The Three Months Ended September 30, 2022					
Revenue ^(a)	\$ 27,113	\$ 11,839	\$ 5,822	\$ 3,912	\$ 48,686
For The Nine Months Ended September 30, 2023					
Revenue ^(a)	\$ 73,414	\$ 23,501	\$ 19,503	\$ 10,949	\$ 127,367
For The Nine Months Ended September 30, 2022					
Revenue ^(a)	\$ 82,223	\$ 39,600	\$ 23,542	\$ 11,961	\$ 157,326
As of September 30, 2023					
Long-lived assets, net of accumulated depreciation and amortization ^(b)	\$ 54	\$ 8,137	\$ 39	\$ 813	\$ 9,043
Net assets	\$ 11,846	\$ 22,957	\$ 4,401	\$ 7,432	\$ 46,636
As of December 31, 2022					
Long-lived assets, net of accumulated depreciation and amortization ^(b)	\$ 74	\$ 9,070	\$ 49	\$ 871	\$ 10,064
Net assets	\$ 8,744	\$ 25,204	\$ 3,529	\$ 8,315	\$ 45,792

(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.

(b) Comprised of property and equipment, intangible assets and goodwill, net of accumulated depreciation and amortization.

NOTE 15 – STOCKHOLDER RIGHTS PLAN

On October 15, 2018, the Company's Board of Directors 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 (as amended, the "Rights Agreement"), by and between the Company and Computershare Trust Company, N.A., as rights agent (the "Rights Agent"). The Company's stockholders approved the Rights Agreement at the Company's 2019 Annual Meeting of Stockholders held on May 6, 2019. On September 28, 2021, the Company and the Rights Agent entered into a First Amendment to Rights Agreement (the "Amendment") that amended the Rights Agreement to extend its term through October 15, 2024. The amendment was approved by the Board on September 28, 2021, subject to stockholder approval, and the Company's stockholders approved the Amendment at the Company's 2022 Annual Meeting of Stockholders held on May 17, 2022.

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

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

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. 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 will expire on the earliest of (i) October 15, 2024, 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, and (v) the first day of a taxable year to which the Board determines that no NOLs or other tax benefits may be carried forward.

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 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.

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

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.

NOTE 16 – SUBSEQUENT EVENT

On October 31, 2023, the Company entered into a share purchase agreement (the "SPA") by and among the Company, Hudson RPO Limited, a wholly owned subsidiary of the Company, and Hudson Global Resources (Australia) Pty Limited, and completed the acquisition by Hudson RPO Limited of all of the shares of Hudson Global Resources (Singapore) Pte Limited ("Hudson Singapore").

Hudson Singapore is a provider of recruitment services primarily to clients operating in Singapore, with a 30-year track record of senior placements and project recruitment work across Southeast Asia including Singapore, Malaysia, the Philippines, Vietnam, Thailand, and Indonesia.

As outlined in the SPA, as consideration for the sale of shares of Hudson Singapore, Hudson Global Resources (Australia) Pty Limited received (i) \$3.7 million Australian dollars (\$3,700 AUD) in cash subject to certain adjustments set forth in the SPA at the closing of the acquisition; and (ii) an earn-out payment not to exceed \$500 Australian dollars (\$500 AUD) based upon the achievement of certain performance thresholds, subject to the satisfaction of certain conditions as further described in the SPA.

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, 2022. 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 14 to the Condensed Consolidated Financial Statements in Part I, Item 1 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 Estimates
- Forward-Looking Statements

Executive Overview

The Company's objective is to increase value to the Company's stockholders by providing global Recruitment Process Outsourcing ("RPO") solutions to customers. With direct operations in fourteen 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 highly successful 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 seeks to continually upgrade its service offerings and delivery capability tools to make the Company and candidates more successful in achieving clients' business requirements.

The Company's proprietary frameworks, assessment tools, and leadership development programs, coupled with its global footprint, allow 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 meet the Company's objective, the Company engages 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; and
- Improving the Company's cost structure and efficiency of its support functions and infrastructure.

We continue to explore all strategic alternatives to maximize value for the Company's stockholders, including without limitation, improving the market position and profitability of our services in the marketplace, and enhancing our valuation. We may pursue our goals through organic growth, strategic initiatives, or other alternatives. Additionally, we will continue to monitor capital markets for opportunities to repurchase shares, and consider other actions designed to enhance value to our stockholders, as well as review information regarding potential acquisitions and provide information to third parties regarding potential dispositions of assets or business lines, from time to time.

This MD&A discusses the results of the Company's business for the three and nine months ended September 30, 2023 and 2022.

Current Market Conditions

Our clients' demands for RPO and contracting services largely depend on the market conditions and the strength of the labor markets in the countries where we operate. In the third quarter of 2023, market conditions continued to be challenging due to higher inflation, higher interest rates and decreased demand for labor in certain markets. We anticipate that the market conditions will continue to be challenging into the fourth quarter of 2023.

Economic conditions in most of the world's major markets slowed in 2022. Higher than expected inflation in most markets and rising interest rates have led to significant market disruption, including further wage inflation, increased operating costs, staffing challenges, reduced consumer confidence, and limited capital market accessibility that impact our business. In addition, in connection with the challenging business environment, some of our customers have reduced demand, and certain other customers have eliminated our services on a temporary or permanent basis. These impacts and expected future inflation and interest rate increases could have material adverse impacts on various aspects of our business in the future.

The continued economic uncertainty has also resulted in volatility in global currencies. Stronger foreign currencies in other markets compared to the U.S. dollar during a reporting period cause local currency results of the Company's foreign operations to be translated into more U.S. dollars.

COVID-19 Pandemic

The COVID-19 pandemic affected the Company's operations in prior years and may continue to do so in the future. The COVID-19 pandemic may impact the Company's business, operations, and financial results and conditions, directly and indirectly, including without limitation, having impacts on the health of the Company's management and employees, marketing and sales operations, customer and consumer behaviors, as well as the overall economy. The scope and nature of these impacts, most of which are beyond the Company's control, are uncertain.

The following is a summary of the Company's financial performance highlights for the three and nine months ended September 30, 2023 and 2022. This summary should be considered in the context of the additional disclosures in this MD&A which further highlight Company results by segment.

Summary of Financial Performance Highlights for the Three Months Ended September 30, 2023

- Revenue was \$39.4 million for the three months ended September 30, 2023, compared to \$48.7 million for the same period in 2022, a decrease of \$9.3 million, or 19.1%. The decrease in revenue was principally driven by declines in the Americas and Australia.
 - On a constant currency basis, the Company's revenue decreased \$8.6 million, or 17.9%, primarily due to a decrease in RPO revenue of \$5.0 million, or 20.8%, while contracting revenue decreased by \$3.6 million, or 15.1%, compared to the same period in 2022.
- Adjusted net revenue was \$19.4 million for the three months ended September 30, 2023, compared to \$24.2 million for the same period in 2022, a decrease of \$4.8 million, or 20.0%.
 - On a constant currency basis, adjusted net revenue decreased \$4.8 million, or 19.9%, primarily due to a decrease in RPO adjusted net revenue of \$4.6 million, or 20.1%, compared to the same period in 2022.
- Selling, general and administrative expenses (including salaries and related expenses) and other non-operating income (expense) ("SG&A and Non-Op") was \$18.1 million for the three months ended September 30, 2023, compared to \$22.6 million for the same period in 2022, a decrease of \$4.4 million, or 19.7%.
 - On a constant currency basis, SG&A and Non-Op decreased \$4.4 million, or 19.6%, as compared to the same period in 2022. SG&A and Non-Op as a percentage of revenue was 46.0% for the three months ended September 30, 2023, compared to 47.0% for the same period in 2022.
- EBITDA was \$1.2 million for the three months ended September 30, 2023, compared to EBITDA of \$1.6 million for the same period in 2022, a decrease in EBITDA of \$0.4 million. On a constant currency basis, EBITDA also decreased \$0.4 million.

- Net income was \$0.5 million for the three months ended September 30, 2023, compared to net income of \$1.0 million for the same period in 2022, a decrease in net income of \$0.4 million. On a constant currency basis, net income decreased \$0.8 million.

Summary of Financial Performance Highlights for the Nine Months Ended September 30, 2023

- Revenue was \$127.4 million for the nine months ended September 30, 2023, compared to \$157.3 million for the same period in 2022, a decrease of \$30.0 million, or 19.0%. The decrease in revenue was principally driven by declines in the Americas and Australia.
 - On a constant currency basis, the Company's revenue decreased \$24.9 million, or 16.4%, primarily due to a decrease in contracting revenue of \$12.7 million, or 16.4%, while RPO revenue decreased by \$12.2 million, or 16.4%, compared to the same period in 2022.
- Adjusted net revenue was \$63.7 million for the nine months ended September 30, 2023, compared to \$77.0 million for the same period in 2022, a decrease of \$13.3 million, or 17.3%.
 - On a constant currency basis, adjusted net revenue decreased \$12.0 million, or 15.8%, primarily due to a decrease in RPO adjusted net revenue of \$11.7 million, or 16.2%, compared to the same period in 2022.
- SG&A and Non-Op was \$60.3 million for the nine months ended September 30, 2023, compared to \$67.3 million for the same period in 2022, a decrease of \$7.0 million, or 10.4%.
 - On a constant currency basis, SG&A and Non-Op decreased \$5.8 million, or 8.7%, as compared to the same period in 2022. SG&A and Non-Op as a percentage of revenue was 47.4% for the nine months ended September 30, 2023, compared to 43.4% for the same period in 2022.
- EBITDA was \$3.4 million for the nine months ended September 30, 2023, compared to EBITDA of \$9.7 million for the same period in 2022, a decrease in EBITDA of \$6.3 million. On a constant currency basis, EBITDA decreased \$6.0 million.
- Net income was \$1.5 million for the nine months ended September 30, 2023, compared to net income of \$7.1 million for the same period in 2022, a decrease in net income of \$5.6 million. On a constant currency basis, net income decreased \$5.8 million.

Constant Currency (Non-GAAP Financial Measure)

The Company operates on a global basis, with the majority of its revenue 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 is translated into U.S. dollars using the same foreign currency exchange rates that were used to translate financial data for the current period. Constant currency metrics should not be considered in isolation or as a substitute for reported results prepared in accordance with generally accepted accounting principles ("GAAP") in the U.S. 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, adjusted net revenue, SG&A and Non-Op, operating income (loss), net income (loss), and EBITDA (loss) 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 nine months ended September 30, 2023 and 2022.

\$ in thousands	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	As reported	As reported	Currency translation	Constant currency	As reported	As reported	Currency translation	Constant currency
Revenue:								
Americas	\$ 7,167	\$ 12,555	\$ (20)	\$ 12,535	\$ 25,008	\$ 41,581	\$ (95)	\$ 41,486
Asia Pacific	26,106	29,965	(1,133)	28,832	81,784	91,042	(4,456)	86,586
Europe	6,125	6,166	470	6,636	20,575	24,703	(493)	24,210
Total	\$ 39,398	\$ 48,686	\$ (683)	\$ 48,003	\$ 127,367	\$ 157,326	\$ (5,044)	\$ 152,282
Adjusted net revenue ^(a) :								
Americas	\$ 6,854	\$ 11,926	\$ (13)	\$ 11,913	\$ 24,097	\$ 39,437	\$ (70)	\$ 39,367
Asia Pacific	8,694	8,324	(295)	8,029	26,734	25,711	(1,233)	24,478
Europe	3,822	3,949	303	4,252	12,886	11,898	(49)	11,849
Total	\$ 19,370	\$ 24,199	\$ (5)	\$ 24,194	\$ 63,717	\$ 77,046	\$ (1,352)	\$ 75,694
SG&A and Non-Op ^(b) :								
Americas	\$ 6,954	\$ 11,229	\$ (45)	\$ 11,184	\$ 25,204	\$ 34,096	\$ (248)	\$ 33,848
Asia Pacific	6,696	6,986	(258)	6,728	21,133	20,031	(966)	19,065
Europe	4,101	3,680	285	3,965	11,840	10,919	(56)	10,863
Corporate	372	676	—	676	2,135	2,287	—	2,287
Total	\$ 18,123	\$ 22,571	\$ (18)	\$ 22,553	\$ 60,312	\$ 67,333	\$ (1,270)	\$ 66,063
Operating income (loss):								
Americas	\$ (197)	\$ 617	\$ (5)	\$ 612	\$ (1,377)	\$ 5,031	\$ (43)	\$ 4,988
Asia Pacific	2,228	1,569	(48)	1,521	6,338	6,418	(313)	6,105
Europe	150	345	25	370	1,496	1,282	6	1,288
Corporate	(904)	(1,275)	—	(1,275)	(3,807)	(3,993)	—	(3,993)
Total	\$ 1,277	\$ 1,256	\$ (28)	\$ 1,228	\$ 2,650	\$ 8,738	\$ (350)	\$ 8,388
Net income, consolidated	\$ 533	\$ 955	\$ 412	\$ 1,367	\$ 1,465	\$ 7,067	\$ 206	\$ 7,273
EBITDA ^(c) :								
Americas	\$ 20	\$ 810	\$ (6)	\$ 804	\$ (876)	\$ 5,515	\$ (53)	\$ 5,462
Asia Pacific	1,890	1,244	(34)	1,210	5,455	5,533	(261)	5,272
Europe	(300)	279	19	298	995	977	9	986
Corporate	(363)	(705)	—	(705)	(2,169)	(2,312)	—	(2,312)
Total	\$ 1,247	\$ 1,628	\$ (21)	\$ 1,607	\$ 3,405	\$ 9,713	\$ (305)	\$ 9,408

(a) Represents Revenue less the Direct contracting costs and reimbursed expenses caption on the Condensed Consolidated Statements of Operations.

(b) 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 Statements of Operations: Salaries and related, Office and general, Marketing and promotion, and Other expense, net. Corporate management service allocations are included in the segments' other income (expense).

(c) See EBITDA reconciliation in the following section.

Use of EBITDA (Non-GAAP Financial 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 considers EBITDA to be the best indicator of operating performance and most comparable measure across the regions in which the Company operates. Management 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 U.S. GAAP or as a measure of the Company's profitability. EBITDA is derived from net income 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:

\$ in thousands	Three Months Ended		Nine Months Ended	
	September 30, 2023	2022	September 30, 2023	2022
Net income	\$ 533	\$ 955	\$ 1,465	\$ 7,067
<u>Adjustments to Net income</u>				
Provision for income taxes	430	340	1,148	1,657
Interest income, net	(90)	(23)	(284)	(28)
Depreciation and amortization expense	374	356	1,076	1,017
Total adjustments from net income to EBITDA	714	673	1,940	2,646
EBITDA	\$ 1,247	\$ 1,628	\$ 3,405	\$ 9,713

Results of Operations

Americas (reported currency)

Revenue - Americas

\$ in millions	Three Months Ended September 30,					Nine Months Ended September 30,						
	2023		2022		Change in amount	Change in %	2023		2022		Change in amount	Change in %
	As reported	As reported	As reported	As reported			As reported	As reported	As reported	As reported		
Americas												
Revenue	\$ 7.2	\$ 12.6	\$ (5.4)	\$ (43) %	\$ 25.0	\$ 41.6	\$ (16.6)	\$ (40) %				

For the three months ended September 30, 2023, RPO revenue decreased by \$5.1 million, or 42%, while contracting revenue decreased by \$0.3 million, or 56%, compared to the same period in 2022. The decreases in both RPO and contracting revenue were mainly due to lower demand from existing clients.

For the nine months ended September 30, 2023, RPO revenue decreased by \$15.4 million, or 39%, while contracting revenue decreased by \$1.2 million, or 60%, as compared to the same period in 2022. The decreases in both RPO and contracting revenue were due to the same factor noted above.

Adjusted Net Revenue - Americas

\$ in millions	Three Months Ended September 30,					Nine Months Ended September 30,						
	2023		2022		Change in amount	Change in %	2023		2022		Change in amount	Change in %
	As reported	As reported	As reported	As reported			As reported	As reported	As reported	As reported		
Americas												
Adjusted net revenue	\$ 6.9	\$ 11.9	\$ (5.1)	\$ (43) %	\$ 24.1	\$ 39.4	\$ (15.3)	\$ (39) %				
Adjusted net revenue as a percentage of revenue	96 %	95 %	N/A	N/A	96 %	95 %	N/A	N/A				

For the three and nine months ended September 30, 2023, RPO adjusted net revenue decreased by \$5.0 million, or 42%, and \$15.1 million, or 39%, respectively, compared to 2022. The decrease in RPO adjusted net revenue was due to the same factor noted above under "Revenue – Americas".

For the three months ended September 30, 2023 and 2022, total adjusted net revenue as a percentage of revenue was 96%, compared to 95% for the same period in 2022. The increase in total adjusted net revenue as a percentage of revenue was attributed to the higher mix of RPO to contracting revenue.

For the nine months ended September 30, 2023, total adjusted net revenue as a percentage of revenue was 96%, compared to 95% for the same period in 2022. The increase in total adjusted net revenue as a percentage of revenue was due to the same factor noted above.

SG&A and Non-Op -Americas

\$ in millions	Three Months Ended September 30,					Nine Months Ended September 30,						
	2023		2022		Change in amount	Change in %	2023		2022		Change in amount	Change in %
	As reported	As reported	As reported	As reported			As reported	As reported	As reported	As reported		
Americas												
SG&A and Non-Op	\$ 7.0	\$ 11.2	\$ (4.3)	\$ (38) %	\$ 25.2	\$ 34.1	\$ (8.9)	\$ (26) %				
SG&A and Non-Op as a percentage of revenue	97 %	89 %	N/A	N/A	101 %	82 %	N/A	N/A				

For the three months ended September 30, 2023, SG&A and Non-Op decreased \$4.3 million, or 38%, compared to the same period in 2022, while SG&A and Non-Op as a percentage of revenue increased from 89% to 97%. The decrease in SG&A and No-Op was principally due to lower consultant staff costs. The increase in SG&A and Non-Op as a percentage of revenue was primarily due to the decline in adjusted net revenue outpacing the decrease in consultant staff costs.

For the nine months ended September 30, 2023, SG&A and Non-Op decreased \$8.9 million, or 26%, compared to the same period in 2022, while SG&A and Non-Op as a percentage of revenue increased from 82% to 101%. The increase in SG&A and Non-Op as a percentage of revenue was primarily due to the same factors noted above.

Operating (Loss) Income and EBITDA -Americas

\$ in millions	Three Months Ended September 30,					Nine Months Ended September 30,						
	2023		2022		Change in amount	Change in %	2023		2022		Change in amount	Change in %
	As reported	As reported	As reported	As reported			As reported	As reported	As reported	As reported		
Americas												
Operating (loss) income	\$ (0.2)	\$ 0.6	\$ (0.8)	\$ (132) %	\$ (1.4)	\$ 5.0	\$ (6.4)	\$ (127) %				
EBITDA (loss)	\$ —	\$ 0.8	\$ (0.8)	\$ (98) %	\$ (0.9)	\$ 5.5	\$ (6.4)	\$ (116) %				
EBITDA (loss) as a percentage of revenue	— %	6 %	N/A	N/A	(4) %	13 %	N/A	N/A				

For the three months ended September 30, 2023, operating loss was \$0.2 million, compared to operating income of \$0.6 million in 2022, and EBITDA was \$0.0 million, compared to EBITDA of \$0.8 million in 2022.

For the nine months ended September 30, 2023, operating loss was \$1.4 million, compared to operating income of \$5.0 million in 2022, and EBITDA loss was \$0.9 million, compared to EBITDA of \$5.5 million in 2022.

The decreases in operating income and EBITDA for the three and nine months ended September 30, 2023, were primarily due to the Company's decline in adjusted net revenue.

Asia Pacific (constant currency)

Revenue - Asia Pacific

\$ in millions	Three Months Ended September 30,						Nine Months Ended September 30,					
	2023		2022		Change in amount	Change in %	2023		2022		Change in amount	Change in %
	As reported	Constant currency	As reported	Constant currency			As reported	Constant currency	As reported	Constant currency		
Asia Pacific												
Revenue	\$ 26.1	\$ 28.8	\$ (2.7)	\$ (9) %	\$ 81.8	\$ 86.6	\$ (4.8)	\$ (6) %				

For the three months ended September 30, 2023, contracting revenue decreased by \$3.6 million, or 16%, while RPO revenue increased \$0.8 million, or 11%, compared to 2022, as discussed below.

In Australia, revenue decreased \$2.4 million, or 9%, for the three months ended September 30, 2023, compared to the same period in 2022. The decrease was primarily driven by contracting revenue which declined by \$3.5 million, or 17% due to lower demand from existing clients. While contracting revenue decreased, RPO revenue grew by \$1.1 million, or 20%, compared to 2022, as the result of new client wins and higher demand from existing clients.

In Asia, revenue decreased \$0.1 million, or 4%, for the three months ended September 30, 2023, compared to the same period in 2022, due to lower demand from existing clients.

For the nine months ended September 30, 2023, contracting revenue decreased by \$7.4 million, or 11%, while RPO revenue increased by \$2.6 million, or 11%, as discussed below.

In Australia, revenue decreased \$4.4 million, or 6%, for the nine months ended September 30, 2023, compared to the same period in 2022. The decrease was primarily in contracting revenue which declined by \$7.5 million, or 12%, primarily due to the loss of a significant customer in the first quarter of 2022. While contracting revenue decreased, RPO revenue grew \$3.0 million, or 17%, compared to 2022, primarily as the result of new client wins and higher demand from existing clients.

In Asia, revenue decreased \$0.1 million or 1%, for the nine months ended September 30, 2023, compared to 2022.

Adjusted net revenue - Asia Pacific

\$ in millions	Three Months Ended September 30,						Nine Months Ended September 30,					
	2023		2022		Change in amount	Change in %	2023		2022		Change in amount	Change in %
	As reported	Constant currency	As reported	Constant currency			As reported	Constant currency	As reported	Constant currency		
Asia Pacific												
Adjusted net revenue	\$ 8.7	\$ 8.0	\$ 0.7	\$ 8 %	\$ 26.7	\$ 24.5	\$ 2.3	\$ 9 %				
Adjusted net revenue as a percentage of revenue	33 %	28 %	N/A	N/A	33 %	28 %	N/A	N/A				

For the three months ended September 30, 2023, RPO adjusted net revenue increased \$0.8 million, or 11%, while contracting adjusted net revenue decreased \$0.1 million or 12%, compared to the same period in 2022.

In Australia, adjusted net revenue increased by \$1.0 million, or 15%, for the three months ended September 30, 2023, compared to the same period in 2022. The increase was primarily reflected in RPO adjusted net revenue, which grew \$1.1 million, or 20%, partially offset by contracting adjusted net revenue, which decreased by \$0.1 million, or 11% compared to 2022.

In Asia, adjusted net revenue decreased by \$0.3 million, or 20%, for the three months ended September 30, 2023, compared to the same period in 2022.

Total adjusted net revenue as a percentage of revenue was 33% for the three months ended September 30, 2023, compared to 28% for the same period in 2022. The increase in total adjusted net revenue as a percentage of revenue was attributed to a greater mix of higher margin RPO revenue to contracting revenue.

For the nine months ended September 30, 2023, RPO adjusted net revenue increased by \$2.3 million, or 11%, while contracting adjusted net revenue decreased slightly or by 1%, compared to the same period in 2022.

In Australia, adjusted net revenue increased by \$2.7 million, or 14%, for the nine months ended September 30, 2023, compared to the same period in 2022. The increase was primarily reflected in RPO adjusted net revenue, which grew \$2.8 million, or 16%, while contracting adjusted net revenue decreased by \$0.1 million, or 2%, compared to 2022.

In Asia, adjusted net revenue decreased by \$0.5 million, or 9%, for the nine months ended September 30, 2023, compared to the same period in 2022.

Total adjusted net revenue as a percentage of revenue was 33% for the nine months ended September 30, 2023, compared to 28% for the same period in 2022. The increase in total adjusted net revenue as a percentage of revenue was attributed to the higher mix of higher margin RPO revenue to contracting revenue.

SG&A and Non-Op - Asia Pacific

\$ in millions	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	As reported	Constant currency	Change in amount	Change in %	As reported	Constant currency	Change in amount	Change in %
Asia Pacific								
SG&A and Non-Op	\$ 6.7	\$ 6.7	\$ —	— %	\$ 21.1	\$ 19.1	\$ 2.1	11 %
SG&A and Non-Op as a percentage of revenue	26 %	23 %	N/A	N/A	26 %	22 %	N/A	N/A

For the three months ended September 30, 2023, SG&A and Non-Op declined slightly, compared to the same periods in 2022.

For the nine months ended September 30, 2023, SG&A and Non-Op increased \$2.1 million, or 11%, compared to the same periods in 2022. The increases in SG&A and Non-Op were primarily due to higher consultant staff costs.

For both the three and nine months ended September 30, 2023, SG&A and Non-Op as a percentage of revenue was 26%, as compared to 23% and 22%, respectively, for the same periods in 2022. For the three and nine months ended September 30, 2023, the increase in SG&A and Non-Op as a percentage of revenue was principally due to the lower mix of contracting revenue, where the majority of costs are reflected in adjusted net revenue.

Operating Income and EBITDA - Asia Pacific

\$ in millions	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	As reported	Constant currency	Change in amount	Change in %	As reported	Constant currency	Change in amount	Change in %
Asia Pacific								
Operating income	\$ 2.2	\$ 1.5	\$ 0.7	46 %	\$ 6.3	\$ 6.1	\$ 0.2	4 %
EBITDA	\$ 1.9	\$ 1.2	\$ 0.7	56 %	\$ 5.5	\$ 5.3	\$ 0.2	3 %
EBITDA as a percentage of revenue	7 %	4 %	N/A	N/A	7 %	6 %	N/A	N/A

For the three months ended September 30, 2023, operating income was \$2.2 million, compared to operating income of \$1.5 million in 2022, and EBITDA was \$1.9 million, or 7% of revenue, compared to EBITDA of \$1.2 million, or 4% of revenue, in 2022. The increases in operating income and EBITDA were principally due to the changes in adjusted net revenue, as described above.

For the nine months ended September 30, 2023, operating income was \$6.3 million, compared to operating income of \$6.1 million in 2022, and EBITDA was \$5.5 million, or 7% of revenue, compared to EBITDA of \$5.3 million, or 6% of

revenue, in 2022. The increases in operating income and EBITDA were principally due to the changes in adjusted net revenue, as described above.

Europe (constant currency)

Revenue - Europe

\$ in millions	Three Months Ended September 30,						Nine Months Ended September 30,					
	2023		2022				2023		2022			
	As reported	Constant currency	Change in amount	Change in %	As reported	Constant currency	Change in amount	Change in %	As reported	Constant currency	Change in amount	Change in %
Europe												
Revenue	\$ 6.1	\$ 6.6	\$ (0.5)	(8) %	\$ 20.6	\$ 24.2	\$ (3.6)	(15) %				

For the three months ended September 30, 2023, RPO revenue decreased by \$0.7 million or 15%, while contracting revenue increased by \$0.2 million or 9%, compared to the same period in 2022, as further discussed below.

In the U.K., for the three months ended September 30, 2023, revenue decreased by \$0.5 million, or 7%. The change was driven by a decrease in RPO revenue of \$0.6 million, or 15% due to lower demand from existing clients, which was partially offset by an increase in contracting revenue of \$0.2 million, or 9%, compared to the same period in 2022.

In Continental Europe, total revenue was \$0.3 million for the three months ended September 30, 2023, a decrease of \$0.1 million, or 14% compared to 2022. The decrease was primarily due to lower demand from existing recruitment clients.

For the nine months ended September 30, 2023, contracting revenue decreased by \$4.2 million, or 36%, partially offset by RPO revenue, which increased by \$0.5 million, or 4%, compared to the same period in 2022.

In the U.K., for the nine months ended September 30, 2023 revenue decreased by \$3.5 million, or 15%, compared to the same period in 2022. The decrease was driven by contracting revenue, which declined \$4.2 million, or 36%, partially offset by an increase in RPO revenue by \$0.7 million, or 6%.

In Continental Europe, total revenue was \$1.1 million for the nine months ended September 30, 2023, a decrease of \$0.1 million, or 9%, compared to the same period in 2022. The decrease was primarily due to lower demand from existing recruitment clients.

Adjusted Net Revenue - Europe

\$ in millions	Three Months Ended September 30,						Nine Months Ended September 30,					
	2023		2022				2023		2022			
	As reported	Constant currency	Change in amount	Change in %	As reported	Constant currency	Change in amount	Change in %	As reported	Constant currency	Change in amount	Change in %
Europe												
Adjusted net revenue	\$ 3.8	\$ 4.3	\$ (0.4)	(10) %	\$ 12.9	\$ 11.8	\$ 1.0	9 %				
Adjusted net revenue as a percentage of revenue	62 %	64 %	N/A	N/A	63 %	49 %	N/A	N/A				

For the three months ended September 30, 2023, adjusted net revenue decreased by \$0.4 million, or 10%, driven by an decrease in RPO of \$0.4 million, or 10%, led by the U.K. as discussed below.

In the U.K., total adjusted net revenue for the three months ended September 30, 2023 decreased by \$0.4 million, or 10%, compared to 2022. The decrease was driven by RPO adjusted net revenue, which declined by \$0.3 million, or 9%, compared to 2022.

In Continental Europe, total adjusted net revenue was \$0.3 million for the three months ended September 30, 2023, a decrease of \$0.1 million, or 15% compared to 2022. The decrease was primarily due to lower demand from existing clients.

For the nine months ended September 30, 2023, adjusted net revenue increased by \$1.0 million, or 9%, driven by an increase in RPO revenue, which grew \$1.0 million, or 9%, compared to the same period in 2022.

In the U.K., total adjusted net revenue for the nine months ended September 30, 2023 increased by \$1.2 million, or 11%, compared to the same period in 2022, driven by an increase in RPO of \$1.2 million, or 11%.

In Continental Europe, for the nine months ended September 30, 2023, total adjusted net revenue decreased by \$0.1 million, or 10%, compared to the same period in 2022, due to lower demand from existing clients.

SG&A and Non-Op - Europe

\$ in millions	Three Months Ended September 30,					Nine Months Ended September 30,						
	2023		2022		Change in amount	Change in %	2023		2022		Change in amount	Change in %
	As reported	Constant currency	As reported	Constant currency			As reported	Constant currency	As reported	Constant currency		
Europe												
SG&A and Non-Op	\$ 4.1	\$ 4.0	\$ 0.1	\$ 0.1	3 %	3 %	\$ 11.8	\$ 10.9	\$ 1.0	\$ 1.0	9 %	9 %
SG&A and Non-Op as a percentage of revenue	67 %	60 %	N/A	N/A	58 %	45 %	N/A	N/A	N/A	N/A	N/A	N/A

For the three and nine months ended September 30, 2023, SG&A and Non-Op increased \$0.1 million, or 3%, and \$1.0 million, or 9%, respectively, compared to the same periods in 2022. The increases in SG&A and Non-Op were primarily the result of higher consultant staff costs in the current year.

For the three and nine months ended September 30, 2023, SG&A and Non-Op as a percentage of revenue was 67% and 58%, compared to 60% and 45%, respectively, in 2022. The increases in SG&A and Non-Op as a percentage of revenue were primarily due to the higher consultant staff costs.

Operating Income and EBITDA - Europe

\$ in millions	Three Months Ended September 30,					Nine Months Ended September 30,					Change in amount	Change in %		
	2023		2022		Change in amount	Change in %	2023		2022					
	As reported	Constant currency	As reported	Constant currency			As reported	Constant currency	As reported	Constant currency				
Europe														
Operating income	\$ 0.1	\$ 0.4	\$ (0.2)	\$ (0.2)	(59) %	(59) %	\$ 1.5	\$ 1.3	\$ 0.2	\$ 0.2	16 %	16 %		
EBITDA	\$ (0.3)	\$ 0.3	\$ (0.6)	\$ (0.6)	(201) %	(201) %	\$ 1.0	\$ 1.0	\$ —	\$ —	1 %	1 %		
EBITDA as a percentage of revenue		(5) %	4 %	N/A	N/A	5 %		4 %	N/A	N/A				

For the three months ended September 30, 2023, operating income was \$0.1 million, compared to operating income of \$0.4 million for the same period in 2022, and EBITDA loss was \$0.3 million, or 5% of revenue, compared to EBITDA of \$0.3 million, or 4% of revenue, for the same period in 2022.

For the nine months ended September 30, 2023, operating income was \$1.5 million, compared to operating income of \$1.3 million for the same period in 2022, and EBITDA was \$1.0 million, or 5% of revenue, compared to EBITDA of \$1.0 million, or 4% of revenue, for the same period in 2022.

The following are discussed in reported currency**Corporate Expenses, Net of Corporate Management Expense Allocations**

Corporate expenses were \$0.4 million for the three months ended September 30, 2023 as compared to \$0.7 million for the same period in 2022, representing a decrease of \$0.3 million. The decrease in Corporate expenses was primarily due to lower stock compensation expense and staff costs.

For the nine months ended September 30, 2023, corporate expenses were \$2.2 million compared to \$2.3 million for the same period in 2022, a decrease of \$0.1 million. The decrease was primarily due to lower stock compensation expense and staff costs partially offset by higher professional fees, lower corporate allocations, and higher travel and entertainment expenses.

Depreciation and Amortization Expense

Depreciation and amortization expense was \$0.4 million and \$1.1 million for the three and nine months ended September 30, 2023, compared to \$0.4 million and \$1.0 million for the same periods in 2022, respectively. The higher depreciation and amortization expense was driven by amortization expense in connection with the Coit Acquisition and the Karani Acquisition.

Other Income (expense), Net

Other expense was \$0.4 million for the three months ended September 30, 2023, compared to other income of \$0.0 million for the same period in 2022. For the nine months ended September 30, 2023, other expense was \$0.3 million, compared to other expense of \$0.0 million in 2022. The higher expense for the three and nine months ended September 30, 2023 was primarily due to one-time client administrative costs of \$0.3 million.

Provision for Income Taxes

The provision for income taxes for the nine months ended September 30, 2023 was \$1.1 million on \$2.6 million of pre-tax income, compared to a provision for income tax of \$1.7 million on \$8.7 million of pre-tax income for the same period in 2022. The effective tax rates for the nine months ended September 30, 2023 and 2022 were positive 44% and positive 19%, respectively. For the nine months ended September 30, 2023, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to foreign tax rate differences, 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, taxes on repatriations or deemed repatriation of foreign profits, and non-deductible expenses, partially offset by a discrete tax benefit recognized following the lapse of certain statutes of limitations related to Spain and recognition of a portion of a deferred tax asset in Canada. For the nine months ended September 30, 2022, the effective tax rates differed from the U.S. Federal statutory rate of 21% primarily due to 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, foreign tax rate differences, and non-deductible expenses.

Net Income

Net income was \$0.5 million for the three months ended September 30, 2023, compared to net income of \$1.0 million for the three months ended September 30, 2022, a decrease in net income of \$0.4 million. Basic and diluted earnings per share were \$0.17 for the three months ended September 30, 2023, compared to basic and diluted earnings per share of \$0.31 and \$0.30, respectively, for the same period in 2022.

Net income was \$1.5 million for the nine months ended September 30, 2023, compared to net income of \$7.1 million for the same period in 2022, a decrease in net income of \$5.6 million. Basic and diluted earnings per share were \$0.48 and \$0.47, respectively for the nine months ended September 30, 2023, compared to basic and diluted earnings per share of \$2.35 and \$2.25, respectively, for the same period in 2022.

Liquidity and Capital Resources

As of September 30, 2023, cash and cash equivalents and restricted cash totaled \$22.0 million, compared to \$27.5 million as of December 31, 2022. The following table summarizes the Company's cash flow activities for the nine months ended September 30, 2023 and 2022:

\$ in millions	For the Nine Months Ended September 30,	
	2023	2022
Net cash (used in) provided by operating activities	\$ (3.0)	\$ 5.1
Net cash used in investing activities	(0.1)	(1.3)
Net cash used in financing activities	(2.2)	(2.0)
Effect of exchange rates on cash, cash equivalents, and restricted cash	(0.2)	(1.2)
Net (decrease) increase in cash, cash equivalents, and restricted cash	\$ (5.5)	\$ 0.6

Cash Flows from Operating Activities

For the nine months ended September 30, 2023, net cash used by operating activities was \$3.0 million, compared to \$5.1 million of net cash provided by operating activities for the same period in 2022, resulting in a \$8.1 million increase in net cash used. The net cash used was principally driven by the Company's lower net income in 2023, as well as less favorable working capital comparisons to the prior year.

Cash Flows from Investing Activities

For the nine months ended September 30, 2023, net cash used in investing activities was \$0.1 million compared to \$1.3 million of net cash used in investing activities in 2022. The decrease primarily reflects the net cash payment of \$0.8 million in the prior year for the acquisition of HnB as well as lower capital expenditures. See Note 6 to Consolidated Financial Statements for additional information.

Cash Flows from Financing Activities

For the nine months ended September 30, 2023, net cash used in financing activities was \$2.2 million, compared to net cash used in financing activities of \$2.0 million in 2022. The increase in net cash used was due to higher loan repayments of \$0.6 million related to the Karani Acquisition, partly offset by lower repurchases of common stock of \$0.4 million in 2023 compared to the previous year.

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 up to a maximum of \$4 million Australian dollars. No receivables have terms greater than 90 days, and any risk of loss is retained by the Australian Borrower. 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 September 30, 2023, there were no amounts outstanding under the NAB Facility Agreement. Interest expense and fees incurred on the NAB Facility Agreement were \$4 and \$13 for the three and nine months ended September 30, 2023, respectively, and \$5 and \$14 for the three and nine months ended September 30, 2022, respectively. The Australian Borrower was in compliance with all financial covenants under the NAB Facility Agreement as of September 30, 2023.

Liquidity and Capital Resources Outlook

As of September 30, 2023, the Company had cash and cash equivalents on hand of \$21.6 million. The Company also has the capability to borrow an additional 4 million Australian dollars under the NAB Facility Agreement. Other than as described above, 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 September 30, 2023. The Company's near-term cash requirements during 2023 are primarily related to the funding of the Company's operations. For the full year 2023, the Company expects to make capital expenditures of less than \$0.5 million.

As of September 30, 2023, \$10.3 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 Australia (\$5.9 million), the U.K. (\$1.2 million), China (\$0.7 million), India (\$0.7 million), Belgium (\$0.6 million), the Philippines (\$0.5 million), Singapore (\$0.4 million), Canada (\$0.4 million) and Switzerland (\$0.3 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 U.S. 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 types of audits, claims, lawsuits, contract disputes, or complaints asserted against the Company. Such events can also change the likelihood of assertion and the behavior of third parties to reach resolution regarding such matters.

The economic conditions 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 reach the threshold of probable and estimable, the Company establishes reserves for legal, regulatory, and other contingent liabilities. The Company did not have any reserves as of September 30, 2023 and December 31, 2022. 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 in Part I, Item 1 of this Form 10-Q for a full description of relevant accounting pronouncements, including the respective expected dates of adoption.

Critical Accounting Estimates

See "Critical Accounting Estimates" under Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on March 11, 2022 and incorporated by reference herein. There were no changes to the Company's critical accounting policies or estimates during the nine months ended September 30, 2023.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that the Company believes to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and 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) global economic fluctuations, (2) rising inflationary pressures and interest rates, (3) the adverse impacts of the coronavirus, or COVID-19 pandemic, (4) the Company's ability to successfully achieve its strategic initiatives, (5) risks related to potential acquisitions or dispositions of businesses by the Company, (6) the Company's ability to operate successfully as a company focused on its RPO business, (7) risks related to fluctuations in the Company's operating results from quarter to quarter, (8) the loss of or material reduction in our business with any of the Company's largest customers, (9) the ability of clients to terminate their relationship with the Company at any time, (10) competition in the Company's markets, (11) the negative cash flows and operating losses that may recur in the future, (12) risks relating to how future credit facilities may affect or restrict our operating flexibility, (13) risks associated with the Company's investment strategy, (14) risks related to international operations, including foreign currency fluctuations, political events, natural disasters or health crises, including the ongoing COVID-19 pandemic, the Russia-Ukraine war, the Hamas-Israel war, and potential conflict in the Middle East (15) the Company's dependence on key management personnel, (16) the Company's ability to attract and retain highly skilled professionals, management, and advisors, (17) the Company's ability to collect accounts receivable, (18) the Company's ability to maintain costs at an acceptable level, (19) the Company's heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (20) risks related to providing uninterrupted service to clients, (21) 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, (22) the Company's ability to utilize net operating loss carry-forwards, (23) volatility of the Company's stock price, (24) the impact of government regulations, (25) restrictions imposed by blocking arrangements, (26) a material weakness in our internal control over financial reporting that could have a significant adverse effect on our business and the price of our common stock, (27) the potential for a shutdown of the US government if the U.S. Congress is unable to agree on terms for a spending bill sufficient to fund the operation of the U.S. government and (28) those risks set forth in "Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 ." 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 is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this Item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief 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) of the Securities Exchange Act of 1934, as amended. As a result of the material weakness identified below, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2023.

In connection with the preparation of the audited financial statements to be included in the 2022 Annual Report on Form 10-K, management identified a material weakness in the design and implementation of internal controls over the revenue recognition process, specifically the failure to properly evaluate whether the Company was to be considered the principal or the agent in a non-routine transaction involving a discretionary bonus paid by the Company on behalf of a customer. The material weakness resulted in an understatement of revenue and direct contracting costs and reimbursed expenses in the amount of \$5.762 million for the three-month and six-month periods ended June 30, 2022 and the nine-month period ended September 30, 2022. The Company's remediation plan is described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Management is committed to remediating the material weakness in a timely fashion and to making continuous improvements to the Company's internal control over financial reporting. Management will continually assess the effectiveness of the remediation efforts and may determine to take additional measures to address control deficiencies or modify the remediation plan.

Changes in Internal Control Over Financial Reporting

During the three months ended September 30, 2023 management performed remediation actions to address the material weakness as noted above. These actions included reviewing processes and controls mitigating the risk of material non-routine transactions not being correctly reported or disclosed in line with U.S. GAAP. The Company enhanced period-end close procedures to identify and review material non-routine transactions, introducing new processes and a key financial reporting control.

While management's actions to design a new control have been completed, the material weaknesses will not be considered to be remediated until the applicable control has operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The material weakness is expected to be fully remediated by the end of the fiscal year 2023.

Other than as discussed above, during the quarter ended September 30, 2023, there were no other changes in internal control over financial reporting 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 subject, from time to time, to 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

In evaluating us and our common stock, we urge you to carefully consider the risks and other information in this Quarterly Report on Form 10-Q, the Risk Factors disclosed in Item 1A. of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, that could materially and adversely affect our results of operations or financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES**Repurchases of Shares**

The following table summarizes purchases of common stock by the Company during the quarter ended September 30, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
			Plans or Programs	Announced	
July 1, 2023 - July 31, 2023	—	\$ —	—	—	—
August 1, 2023 - August 31, 2023	7,269	\$ 20.78	7,269	7,269	\$ 4,848,945
September 1, 2023 - September 30, 2023	2,296	\$ 21.63	2,296	2,296	\$ 4,799,292
Total	9,565	\$ 20.98	9,565	9,565	

(a) On July 30, 2015, the Company announced that its Board authorized the repurchase of up to \$10,000 of the Company 's common stock. On August 8, 2023, the Company's Board of Directors authorized a new stock repurchase program for up to \$5,000 of the Company's outstanding shares of common stock. This authorization does not expire. The Company has repurchased shares from time to time as market conditions warrant.

Under the new stock repurchase program, the Company intends to repurchase shares through open market purchases, privately negotiated transactions, block purchases, or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934 (the "Exchange Act"). Further details can be found in Note 12 to the Condensed Consolidated Financial Statements in Item 1 included in Part I of this Form 10-Q.

During the nine months ended September 30, 2023, the Company repurchased a total of 36,842 shares of its common stock on the open market for a cost of \$774. Of these shares, 27,277 shares were repurchased under the July 30, 2015 authorization for \$573, and 9,565 were repurchased under the August 8, 2023 authorization for \$201. As of September 30, 2023, under the July 30, 2015 and August 8, 2023 authorizations combined, the Company had repurchased an aggregate of 502,020 shares for a total cost of \$10,201, completing the July 30, 2015 authorization and leaving \$4,799 available for purchase under the August 8, 2023 authorization.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

On August 8, 2023, the Company's Board of Directors authorized and approved a stock repurchase program for up to \$5,000 of the Company's outstanding shares of common stock. Under the stock repurchase program, the Company intends to repurchase shares through open market purchases, privately negotiated transactions, block purchases, or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934 (the "Exchange Act").

The Company cannot predict when or if it will repurchase any shares of common stock as such stock repurchase program will depend on a number of factors, including constraints specified in any Rule 10b5-1 trading plans, price, general business and market conditions, and alternative investment opportunities. Information regarding share repurchases will be available in the Company's periodic reports on Form 10-Q and 10-K filed with the Securities and Exchange Commission as required by the applicable rules of the Exchange Act.

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
31.1*	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2*	Certification by the Chief 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 Chief 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 September 30, 2023 are filed herewith, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three months and nine months ended September 30, 2023 and 2022, (ii) the Condensed Consolidated Statements of Other Comprehensive Income (Loss) for the three months and nine months ended September 30, 2023 and 2022, (iii) the Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022, (v) the Condensed Consolidated Statements of Stockholders' Equity for the three months and nine months ended September 30, 2023 and 2022, and (vi) Notes to Condensed Consolidated Financial Statements.
104*	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in iXBRL and contained in Exhibit 101.

*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: November 13, 2023

By: /s/ JEFFREY E. EBERWEIN
Jeffrey E. Eberwein
Chief Executive Officer
(Principal Executive Officer)

Dated: November 13, 2023

By: /s/ MATTHEW K. DIAMOND
Matthew K. Diamond
Chief Financial Officer
(Principal Financial Officer)

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: November 13, 2023

/s/ JEFFREY E. EBERWEIN

Jeffrey E. Eberwein

Chief Executive Officer

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: November 13, 2023

/s/ MATTHEW K. DIAMOND

Matthew K. Diamond

Chief Financial Officer

**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 September 30, 2023 (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

November 13, 2023

**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 September 30, 2023 (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

November 13, 2023