

# HUDSON HIGHLAND GROUP

RW Baird 2012  
Business Solutions  
Conference

February 29, 2012

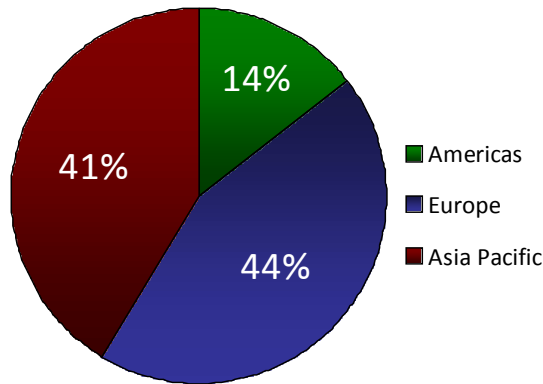
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# Forward looking statement

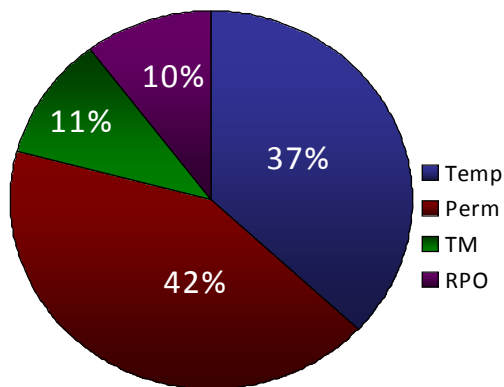
*Please be advised that except for historical information, the comments made during this presentation and in these slides constitute forward-looking statements under applicable securities laws. Such forward-looking statements involve certain risks and uncertainties, including statements regarding the company's strategic direction, prospects and future results. Certain factors, including factors outside of our control, may cause actual results to differ materially from those contained in the forward-looking statements, including the impact of global economic fluctuations including the recent economic downturn, the ability of clients to terminate their relationship with the company at any time, risks in collecting the company's accounts receivable, the ability to implement the company's cost reduction initiatives effectively and the other risks discussed in our filings made with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this presentation. The company assumes no obligation, and expressly disclaims any obligation, to review or confirm analysts' expectations or estimates or to update any forward-looking statements, whether as a result of new information, future events or otherwise.*

# A global leader in professional recruitment and related talent solutions

Geographic Mix \*



Product Mix \*

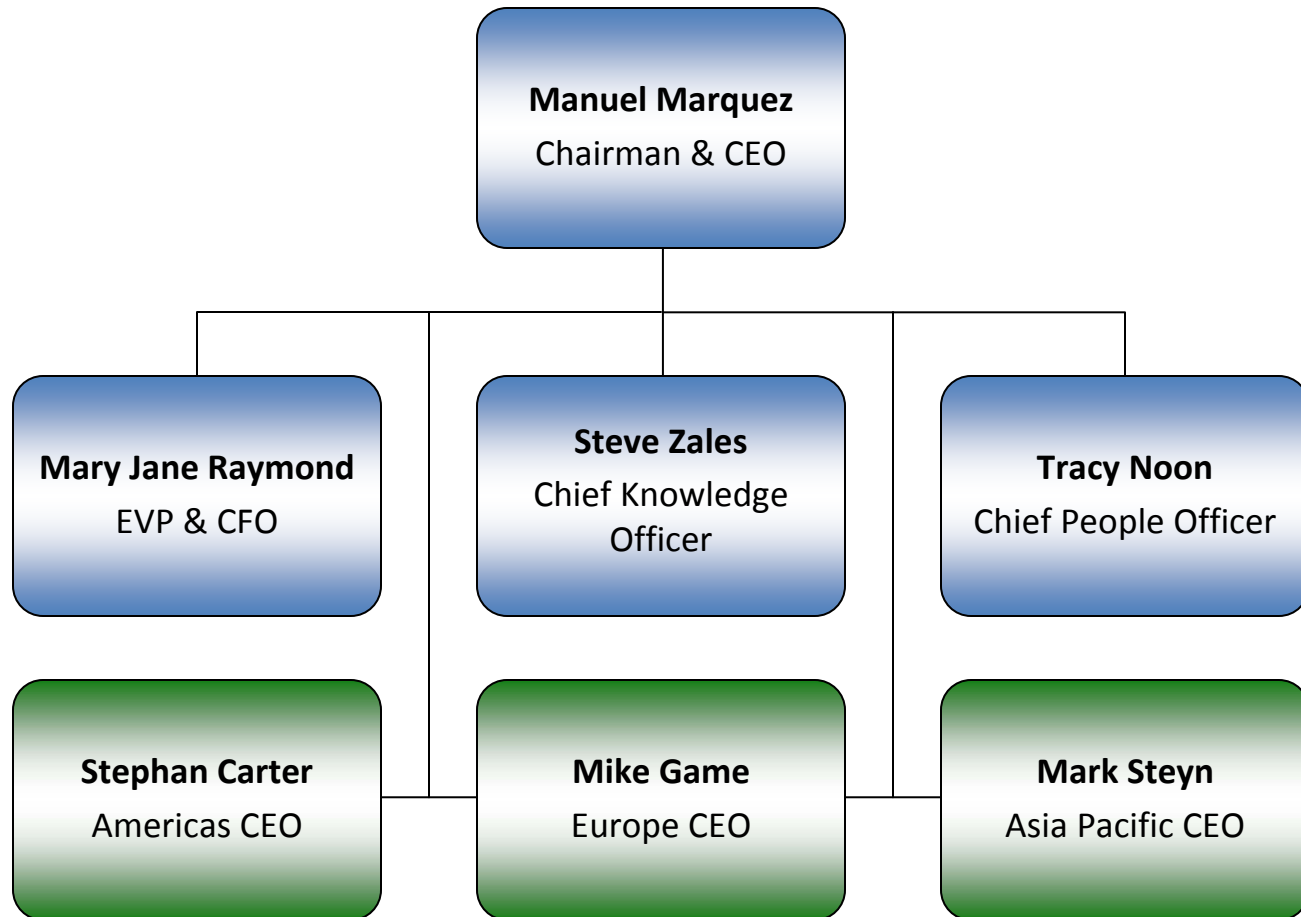


- Industry and functional specializations focused on critical talent
- Tailored solutions to help clients address their more complex issues
- 52% of our clients are multi-year relationships
- Balanced portfolio of services and offices in over 20 countries
- Solid financial foundation with nearly \$90M in liquidity

\*Based on FY 2011 Gross Margin

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# Experienced management team



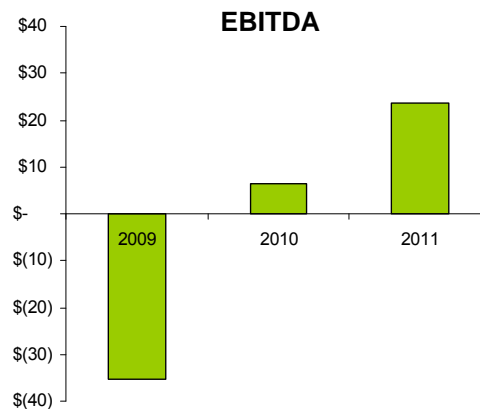
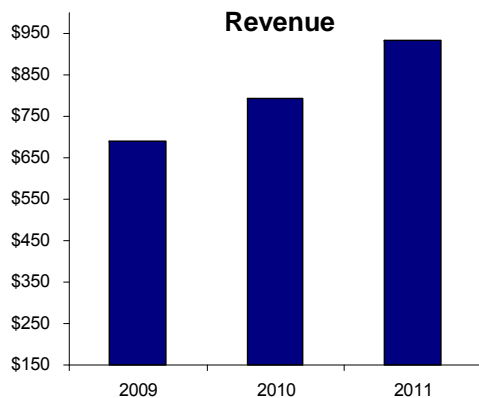
# Award-winning performances in 2011

- Hudson named *Best of Staffing* provider to clients for the 3<sup>rd</sup> consecutive year in North America, and among the first companies honored with the new *Best of Staffing - Talent* award twice
- Hudson RPO, for the second year in a row, achieved a spot on the coveted *Baker's Dozen* list, which ranks the top RPO players in the global market
- Hudson named *Best Executive Search Company* at the HR Excellence Awards in Belgium for the second consecutive year
- Hudson Learning & Development consistently recognized in the industry, including Brandon Hall Excellence Award in 2011



# Excellent progress in 2011

- Strongest growth in seven years, revenue up 11% cc, gross margin up 12% cc
- Virtually every country delivered growth in 2011
- Balanced revenue contributions from perm (+11% cc) and temp (+12% cc)
- Consolidated operations into three regions
- EBITDA of \$23.6 million, growing \$17.1 million or 264% over 2010
- Launched key strategic initiatives to sharpen company focus



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# We've launched four key initiatives

REAP  
THE VALUE OF  
OUR GLOBAL  
BUSINESS

ATTRACT,  
DEVELOP AND  
RETAIN THE RIGHT  
PEOPLE FOR US

FOCUS ON  
SELECTED CLIENTS  
AND SERVICES  
IN THE MARKET

CREATE A  
COMPELLING  
DIGITAL  
PRESENCE

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REAP THE VALUE  
OF OUR GLOBAL  
BUSINESS

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# Substantial growth in global businesses

- Revenue growth from cross border assignments more than doubled in 2011
- We've begun to leverage practices with potential to succeed cross border
- 70% of our constant dollar gross margin growth in 2011 from Legal and RPO



Our focus on Legal eDiscovery and RPO leverages our platform in growing global markets

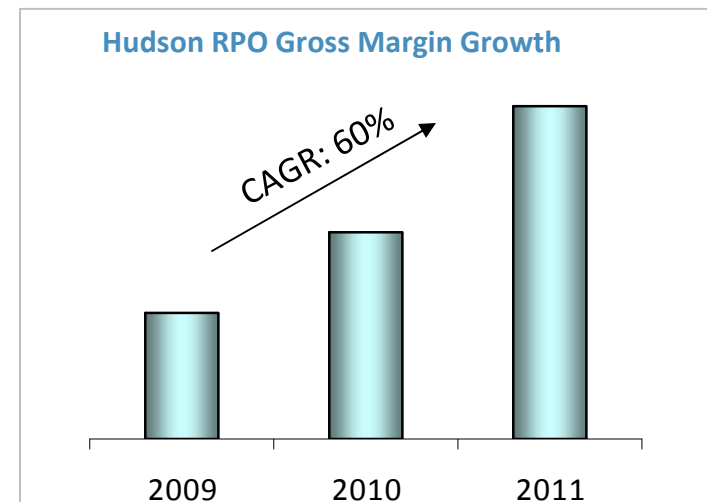
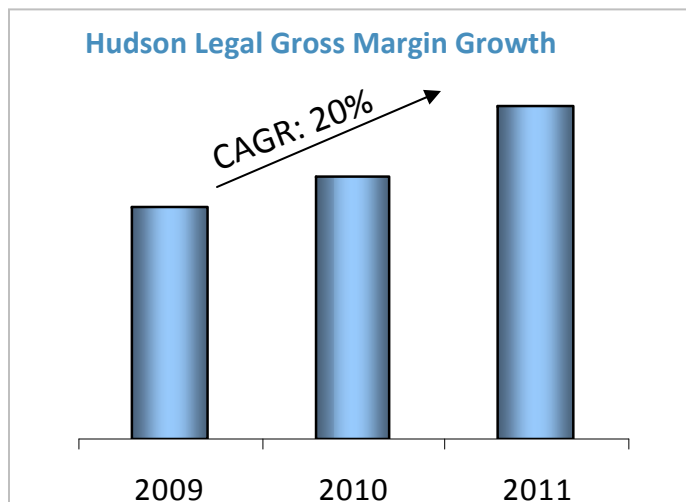
# Market leading practices: Legal eDiscovery & RPO

## Legal eDiscovery

- Market leader in Legal staffing for nearly a decade
- 2011 gross margin growth of 28%
- eDiscovery combines staffing with an integrated system of discovery management and review technology
- More than half of our Legal engagements include high-value project management

## RPO

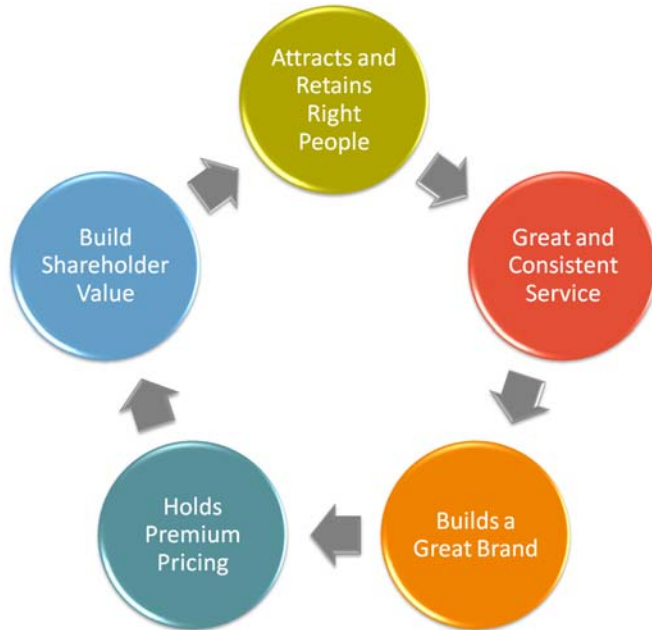
- Deep client relationships with multi-year engagements
- 2011 gross margin growth of 46% in cc
- Range of solutions from full outsourced permanent and temporary hiring to mission critical hires, project needs and consulting
- 13 new wins in 2011, almost all cross border



ATTRACT,  
DEVELOP  
AND RETAIN  
THE RIGHT  
PEOPLE  
FOR US

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# Focus on people first



- Hudson's steps to promote engagement, tenure and productivity:
  - ✓ Appointed Chief People Officer
  - ✓ Global communication and collaboration program
  - ✓ New compensation structure to better align with shareholder value
  - ✓ Personal performance agreement established to provide clear goals for employees
- Adjusted EBITDA leverage of 49% in 2011 in cc

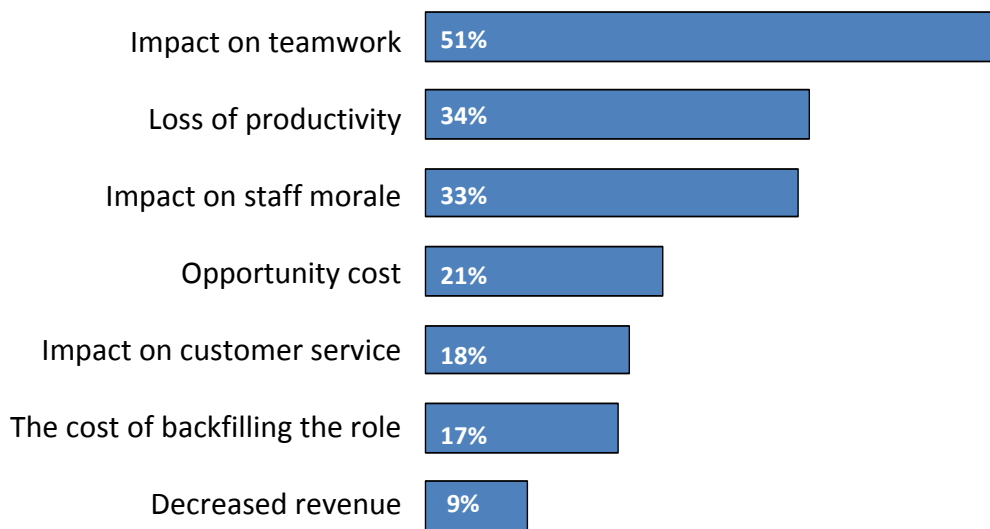
Continuously strive for excellence in our People

FOCUS ON  
SELECTED  
CLIENTS AND  
SERVICES IN  
THE MARKET

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# Fill critical roles

## CONSEQUENCES OF A BAD HIRE\*



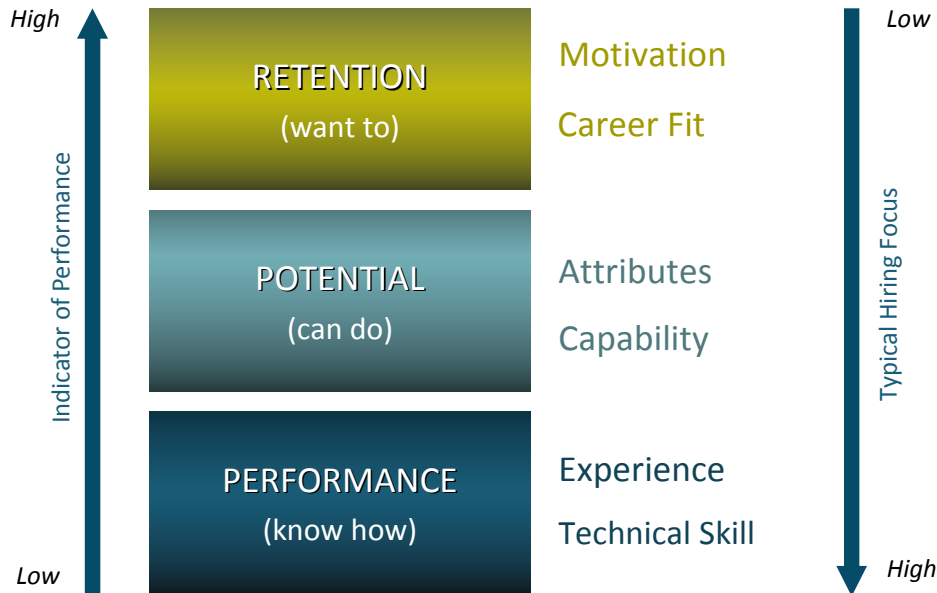
- Hiring managers report that 44% of their hires are not good\*
- In a difficult economic environment, clients and candidates can't afford to fail
- We formalized our hiring process to find unique and promotable hires for our clients

We differentiate ourselves with our global capabilities and our proprietary assessment services

\* Based on 2010 Hudson study published in *Building a Dynamic Workforce in the New Economic Era*, from Hudson 20:20 Series.

# Identify, assess and recruit critical talent

## Performance Drivers vs. Hiring Focus



- In 2011, we worked for over 6,000 clients placing more than 16,000 professionals and managing on average 5,800 contract consultants per day
- Half of our 2011 perm growth came from retained and exclusive assignments
- Temp growth driven by increasingly complex contracting solutions, including eDiscovery, project engineering and interim management
- Increased value of our temporary contracting offering led to 100 bps increase in cc GM % in 2011

CREATE A  
COMPELLING  
DIGITAL PRESENCE  
FOR CLIENTS  
AND CANDIDATES

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# Strengthen digital presence



- New Hudson.com web site launched in 2011
- Powerful lead generation and increased flow of targeted candidates
- Increasingly leveraging and integrating social media to build a Hudson talent community and extend client relationships
- Enhancing and globalizing our candidate database in 2012 to further improve our client service

We are leveraging the web to attract more high-potential candidates and deploy more targeted sales efforts

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# DELIVER ON FINANCIAL OBJECTIVES

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# Measuring our financial progress

## Advanced by the Strategic Initiatives

## Progress in 2011

- Increase Revenue and Gross Margin
- Improve the EBITDA
- Generate Positive Cash Flow
- Deliver Increasing Net Income



**Temp GM% +100  
bps in cc**

**+\$17M from  
2010**

**+\$13M, up \$28M  
from 2010**

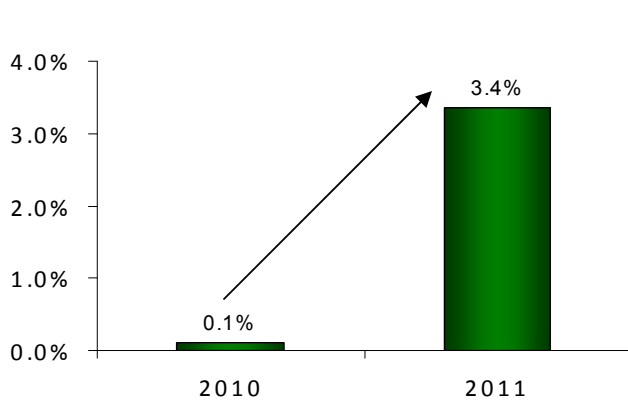
**+\$16M from  
2010**

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# Significant contributions from every region

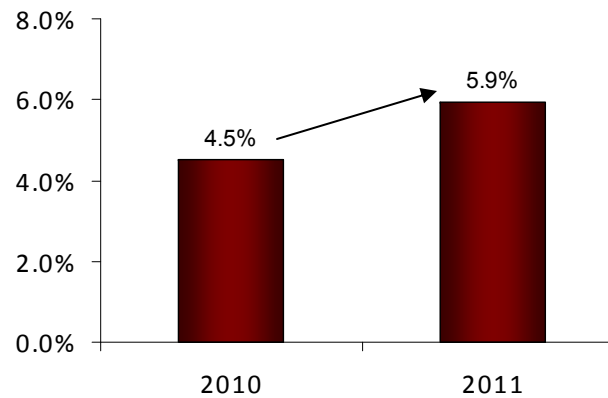
## 2011 vs. 2010 Regional Adjusted EBITDA Margin

### Americas



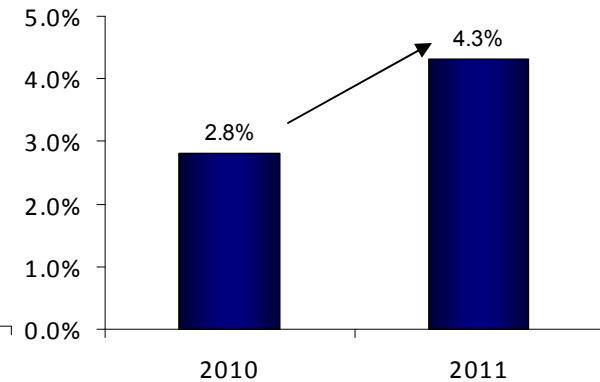
- Gross margin growth of 29%
- Growth led by Legal eDiscovery and RPO
- Contracting gross margin rose to 22.2%

### Asia Pacific



- Gross margin growth of 10% in cc
- Ripple effects from Europe slowed growth in Q4
- Adj EBITDA up 56% to \$21.3M

### Europe



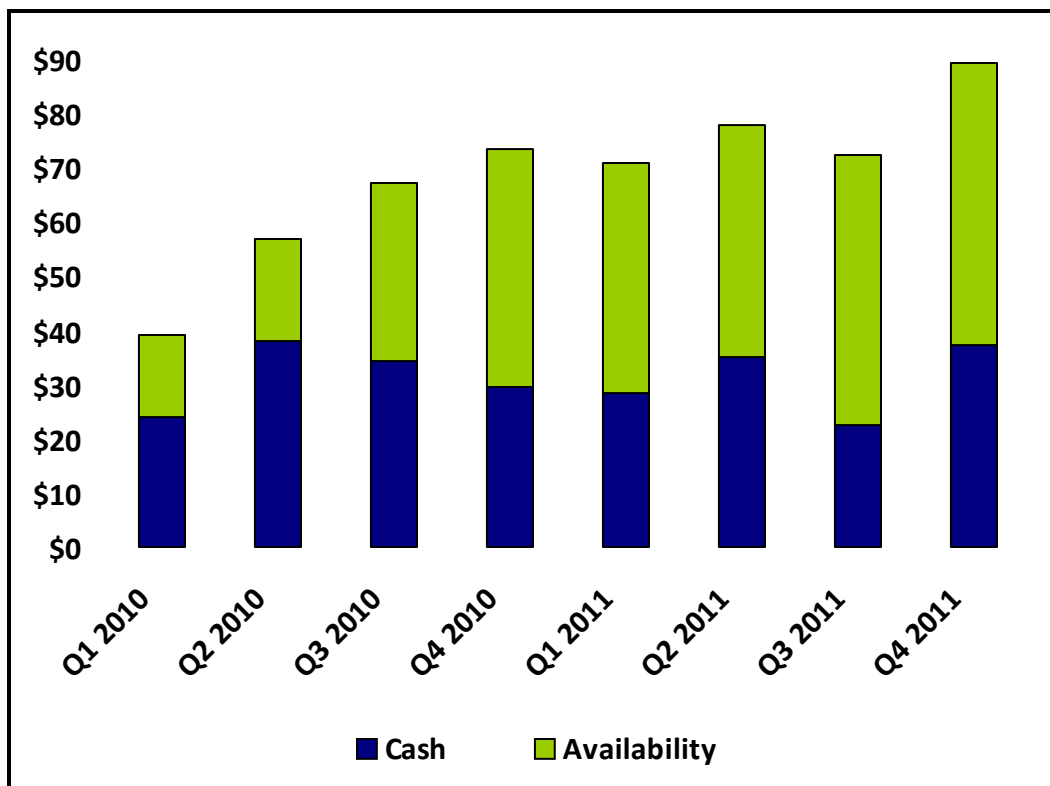
- Gross margin growth of 9% in cc
- Economic conditions weakened in Q4
- Adj EBITDA up 79% to \$16.5M

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Adjusted EBITDA is a non-GAAP term and is defined and reconciled in the appendix.

# Net income and liquidity

*\$US in Millions*



- Rising overall net income and improved tax management
- Revamp of capital structure to reduce FX and interest costs
- Strong cash flow in Q4 & FY 2011
- Cash of \$37.3M up 26% from PY
- Two significant improvements in our major bank agreements, availability up 18% from 2010

# Hudson - In summary

- **Ongoing *War for Talent* creates steady demand for our specialized services**
- **Hudson's global footprint and balanced service portfolio present a solid foundation for growth**
- **Our specialized services and strategic focus were strong pillars of growth in 2011 and beyond**
  - Capitalizing on our global platform
  - Driving retention and productivity through our people program
  - Delivering the right talent and services to meet clients' needs
  - Improving productivity and efficiency through our digital presence

Hudson is well positioned to realize  
the value of its global platform

# APPENDIX

# Financial Ratios Summary

<i>\$US in Millions</i>	2011	2010
Revenue	\$934	\$795
Gross Margin	\$354	\$299
Total GM%	37.9%	37.6%
Temp GM%	18.5%	17.6%
EBITDA%	2.5%	0.8%
Net Income%	1.2%	(0.6%)

<i>\$US in Millions</i>	2011	2010
Adj. EBITDA Leverage (cc)	49%	76%
Asset Turnover	4.3	3.9
Assets/Sales	23.2%	25.9%
Shareholder Equity	49.6%	45.3%
Debt to Equity	1.0	1.2
Current Ratio	2.0	1.8

Gross Margin %	2011	2010
Americas	26.4%	24.2%
Asia Pac	40.9%	40.2%
Europe	41.0%	41.8%

*EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization, non-operating income, goodwill and other impairment charges, business reorganization expenses and acquisition-related expenses.*

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# EBITDA Reconciliation, Full Year

*\$US in Millions*

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenue	\$ 824.4	\$ 977.8	\$ 1,114.4	\$ 1,146.8	\$ 1,170.1	\$ 1,079.1	\$ 691.1	\$ 794.5	\$ 933.7
Gross margin	\$ 309.8	\$ 367.9	\$ 419.7	\$ 444.2	\$ 496.4	\$ 455.0	\$ 260.5	\$ 298.6	\$ 354.3
Adjusted EBITDA (loss)	\$ (57.5)	\$ (13.8)	\$ 6.5	\$ 21.6	\$ 42.3	\$ 22.3	\$ (17.2)	\$ 4.3	\$ 24.4
Acquisition related expenses	\$ -	\$ -	\$ -	\$ 1.7	\$ 5.3	\$ -	\$ -	\$ -	\$ -
Business reorg and expenses	18.7	1.2	0.5	6.0	3.6	11.2	18.2	1.7	0.7
Goodwill and other impairment charges	195.4	-	-	-	-	67.2	1.5	-	-
Non-operating expenses (income)	-	1.8	0.4	(1.4)	(3.4)	(3.3)	(1.4)	(3.9)	0.0
EBITDA (loss)	\$ (271.6)	\$ (16.8)	\$ 5.6	\$ 15.3	\$ 36.8	\$ (52.8)	\$ (35.5)	\$ 6.5	\$ 23.6
Depreciation and amortization	16.2	17.5	16.3	19.5	14.4	14.7	12.5	8.2	6.3
Interest expense (income)	0.3	0.1	1.8	1.7	(0.6)	(1.1)	0.7	1.3	1.1
Provision for (benefit from) income taxes	12.0	0.5	4.0	3.0	17.5	6.7	(5.8)	1.5	5.3
Loss (income) from disc ops, net of taxes	32.4	(4.7)	(16.7)	(29.3)	(9.5)	1.2	(2.3)	0.2	-
Net income (loss)	\$ (332.5)	\$ (30.3)	\$ 0.2	\$ 20.4	\$ 15.0	\$ (74.3)	\$ (40.6)	\$ (4.7)	\$ 10.9

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# EBITDA Reconciliation, 2011

*\$US in Millions*

	Hudson				Total
	Americas	Asia Pacific	Europe	Corp	
<b>Q1 2011</b>					
Revenue	\$ 45.8	\$ 79.0	\$ 93.7	\$ -	\$ 218.5
Gross margin	\$ 10.4	\$ 31.9	\$ 38.9	\$ -	\$ 81.2
Adjusted EBITDA (loss)	\$ 0.2	\$ 3.2	\$ 4.1	\$ (5.1)	\$ 2.4
Acquisition related expenses	-	-	-	-	-
Business reorg expenses	-	-	0.4	-	0.4
Goodwill and other impairment charges	-	-	-	-	-
Non-operating expenses (income)	0.6	1.1	1.6	(3.8)	(0.5)
EBITDA (Loss)	\$ (0.4)	\$ 2.0	\$ 2.2	\$ (1.3)	\$ 2.5
Depreciation and amortization					1.6
Interest expense (income)					0.2
Provision for (benefit from) income taxes					0.7
Loss (income) from disc ops, net of taxes					-
Net income (loss)					\$ -

	Hudson				Total
	Americas	Asia Pacific	Europe	Corp	
<b>Q2 2011</b>					
Revenue	\$ 47.7	\$ 100.6	\$ 96.8	\$ -	\$ 245.1
Gross margin	\$ 13.7	\$ 41.2	\$ 38.1	\$ -	\$ 93.0
Adjusted EBITDA (loss)	\$ 2.0	\$ 7.1	\$ 3.9	\$ (5.2)	\$ 7.7
Acquisition related expenses	-	-	-	-	-
Business reorg expenses	-	-	-	-	-
Goodwill and other impairment charges	-	-	-	-	-
Non-operating expenses (income)	0.5	1.8	1.9	(4.0)	0.2
EBITDA (Loss)	\$ 1.5	\$ 5.2	\$ 2.0	\$ (1.3)	\$ 7.4
Depreciation and amortization					1.5
Interest expense (income)					0.3
Provision for (benefit from) income taxes					2.2
Loss (income) from disc ops, net of taxes					-
Net income (loss)					\$ 3.4

	Hudson				Total
	Americas	Asia Pacific	Europe	Corp	
<b>Q3 2011</b>					
Revenue	\$ 50.9	\$ 96.3	\$ 100.2	\$ -	\$ 247.4
Gross margin	\$ 13.0	\$ 40.2	\$ 42.2	\$ -	\$ 95.5
Adjusted EBITDA (loss)	\$ 1.8	\$ 6.1	\$ 5.5	\$ (5.4)	\$ 8.1
Acquisition related expenses	-	-	-	-	-
Business reorg expenses	-	-	0.4	-	0.4
Goodwill and other impairment charges	-	-	-	-	-
Non-operating expenses (income)	0.7	2.3	2.4	(5.5)	-
EBITDA (Loss)	\$ 1.2	\$ 3.8	\$ 2.7	\$ (0.0)	\$ 7.7
Depreciation and amortization					1.6
Interest expense (income)					0.4
Provision for (benefit from) income taxes					1.4
Loss (income) from disc ops, net of taxes					-
Net income (loss)					\$ 4.2

	Hudson				Total
	Americas	Asia Pacific	Europe	Corp	
<b>Q4 2011</b>					
Revenue	\$ 47.8	\$ 83.2	\$ 91.8	\$ -	\$ 222.7
Gross margin	\$ 13.7	\$ 33.6	\$ 37.3	\$ -	\$ 84.6
Adjusted EBITDA (loss)	\$ 2.4	\$ 5.0	\$ 3.0	\$ (4.1)	\$ 6.3
Acquisition related expenses	-	-	-	-	-
Business reorg expenses	-	-	-	-	-
Goodwill and other impairment charges	-	-	-	-	-
Non-operating expenses (income)	1.2	1.8	1.9	(4.6)	0.3
EBITDA (Loss)	\$ 1.2	\$ 3.1	\$ 1.1	\$ 0.5	\$ 6.0
Depreciation and amortization					1.5
Interest expense (income)					0.2
Provision for (benefit from) income taxes					1.0
Loss (income) from disc ops, net of taxes					-
Net income (loss)					\$ 3.3

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# Constant Currency Reconciliation

*\$US in Thousands*

	Three Months Ended December 31,			
	2011	2010		
	As reported	As reported	Currency translation	Constant currency
Revenue:				
Hudson Americas	\$ 47,802	\$ 44,268	\$ (5)	\$ 44,263
Hudson Asia Pacific	83,185	84,177	2,019	86,196
Hudson Europe	91,751	90,616	(583)	90,033
Total	<u>\$ 222,738</u>	<u>\$ 219,061</u>	<u>\$ 1,431</u>	<u>\$ 220,492</u>
Gross margin:				
Hudson Americas	\$ 13,738	\$ 10,775	\$ (5)	\$ 10,770
Hudson Asia Pacific	33,598	34,681	807	35,488
Hudson Europe	37,312	37,468	(279)	37,189
Total	<u>\$ 84,648</u>	<u>\$ 82,924</u>	<u>\$ 523</u>	<u>\$ 83,447</u>
SG&A and other non-operating income (expense):				
Hudson Americas	\$ 12,517	\$ 8,254	\$ 11	\$ 8,265
Hudson Asia Pacific	30,460	31,845	660	32,505
Hudson Europe	36,205	36,359	(291)	36,068
Corporate	(513)	1,922	(5)	1,917
Total	<u>\$ 78,669</u>	<u>\$ 78,380</u>	<u>\$ 375</u>	<u>\$ 78,755</u>
Operating income (loss):				
Hudson Americas	\$ 2,122	\$ 737	\$ (10)	\$ 727
Hudson Asia Pacific	4,354	3,176	21	3,197
Hudson Europe	2,595	1,040	(4)	1,036
Corporate	(4,276)	(4,939)	3	(4,936)
Total	<u>\$ 4,795</u>	<u>\$ 14</u>	<u>\$ 10</u>	<u>\$ 24</u>
EBITDA (loss):				
Hudson Americas	\$ 1,241	\$ 2,386	\$ (15)	\$ 2,371
Hudson Asia Pacific	3,141	2,778	144	2,922
Hudson Europe	1,140	314	10	324
Corporate	484	(1,922)	-	(1,922)
Total	<u>\$ 6,006</u>	<u>\$ 3,556</u>	<u>\$ 139</u>	<u>\$ 3,695</u>

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