Hudson Global, Inc.
Form 10-K
March 03, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 000-50129

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.)

1325 Avenue of the Americas, New York, NY 10019

(Address of principal executive offices) (Zip Code)
(212) 351-7300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC
Preferred Share Purchase Rights	The NASDAQ Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Act. Yes o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit to post such flies). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer x
Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately $58,308,000 based on the closing price of the Common Stock on the NASDAQ Global Select Market on June 30, 2016.

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 January 31, 2017
Common Stock - $0.001 par value	31,708,428

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2017 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Hudson Global, Inc. (the “Company” or “Hudson”, “we”, “us” and “our”) provides specialized professional-level recruitment a related talent solutions worldwide. Core service offerings include Permanent Recruitment, Contracting, Recruitment Process Outsourcing (“RPO”) and Talent Management Solutions. Hudson has approximately 1,600 employees and operates in 13 countries with three reportable geographic business segments: Hudson Americas, Hudson Asia Pacific, and Hudson Europe.

For the year ended December 31, 2016, the amounts and percentages of the Company’s total gross margin from the three reportable segments were as follows:

	Gross Margin		
$ in thousands	Amount	Percentage	
Hudson Americas	$13,609	7.8	%
Hudson Asia Pacific	84,126	48.2	%
Hudson Europe	76,682	44.0	%
Total	$174,417	100.0	%

The Company's core service offerings include:

Permanent Recruitment: Offered on both a retained and contingent basis, Hudson's Permanent Recruitment 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.

Contracting: In Contracting, Hudson provides a range of project management, interim management and professional contract staffing services. 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.

RPO: Hudson RPO delivers both permanent recruitment and contracting outsourced recruitment solutions tailored to the individual needs of primarily mid-to-large-cap multinational companies. Hudson RPO's delivery teams utilize state-of-the-art recruitment process methodologies and project management expertise in their flexible, turnkey solutions to meet clients' ongoing business needs. Hudson RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions and recruitment consulting.

Talent Management Solutions: Featuring embedded proprietary talent assessment and selection methodologies, Hudson's Talent Management Solutions capability encompasses services such as talent assessment (utilizing a variety of competency, attitude and experiential testing), interview training, executive coaching, employee development and outplacement.

On June 15, 2015, the Company completed the sale of substantially all of the assets (excluding working capital) of its Hudson Information Technology (US) business (the "US IT business") to Mastech, Inc. As a result, the Company no longer has an Americas' Information Technology contracting practice. The Company also completed the sale of its Netherlands business to InterBalanceGroup BV effective April 30, 2015.

On November 7, 2014, the Company completed the sale of substantially all of the assets and liabilities of its Legal eDiscovery business in the United States and United Kingdom. As a result, the Company no longer has operations in the Legal eDiscovery business. In addition, the Company ceased direct operations in Sweden, which was included within the Hudson Europe segment during the third quarter of 2014.

CLIENTS

The Company's clients include small to large-sized corporations and government agencies. For the year ended December 31, 2016, within revenue from continuing operations, there were approximately 50 Hudson Americas clients (as compared to approximately 130 in 2015), 2,800 Hudson Asia Pacific clients (as compared to 2,600 in 2015) and 3,200 Hudson Europe clients (as compared to 3,500 in 2015).

In 2015, the Company sold and exited a number of businesses in the Americas and Europe. The divested businesses in the Americas and Europe, consisted of approximately 90 and 240 clients, respectively, included in continuing operations and in the 2015 client numbers above.

For the year ended December 31, 2016, no single client accounted for more than 10% of the Company's total revenue. As of December 31, 2016, no single client accounted for more than 10% of the Company's total outstanding accounts receivable.

EMPLOYEES

The Company employs approximately 1,600 people worldwide. In most jurisdictions, the Company's employees are not represented by a labor union or covered by a collective bargaining agreement. The Company regards its relationships with its employees as satisfactory.

SALES AND MARKETING

The majority of Hudson's employees include approximately 1,200 client-facing consultants who sell its portfolio of services to its existing client base of approximately 6,100 companies and to prospective client organizations. The Company's consultant population has deep expertise in specific functional areas and industry sectors, and provides broad-based recruitment and solution services based on the needs of the client on a regional and global basis.

COMPETITION

The markets for the Company's services and products are highly competitive. There are few barriers to entry, so new entrants occur frequently, resulting in considerable market fragmentation. Companies in this industry compete on a number of parameters, including degree and quality of candidate and position knowledge, industry expertise, service quality, and efficiency in completing assignments. Typically, companies with greater strength in these parameters garner higher margins.

SEGMENT AND GEOGRAPHIC DATA

Financial information concerning the Company's reportable segments and geographic areas of operation is included in Note 19 of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

AVAILABLE INFORMATION

We maintain a website with the address www.hudson.com. We are not including the information contained on our website as part of, or incorporating it by reference into, this report. Through our website, we make available free of charge (other than an investor's own Internet access charges) our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports in a timely manner after we provide them to the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

Our operations will be affected by global economic fluctuations.

Clients' demand for our services may fluctuate widely with changes in economic conditions in the markets in which we operate. Those conditions include slower employment growth or reductions in employment, which directly impact our service offerings. In addition, certain geopolitical events, including the United Kingdom's vote to withdraw from the European Union ("Brexit"), have caused significant economic, market, political and regulatory uncertainty in some of the Company's markets. We have limited flexibility to reduce expenses during economic downturns due to some overhead costs that are fixed in the short-term. Furthermore, we may face increased pricing pressures during these periods. For example, in prior economic downturns, many employers in our operating regions reduced their overall workforce to reflect the slowing demand for their products and services.

We may not be able to successfully execute our strategic initiatives or meet our long-term financial goals.
We have been engaged in strategic initiatives to refocus on our core business to maximize long-term stockholder value, to improve our cost structure and efficiency and to increase our selling efforts and developing new business. We cannot provide any assurance that we will be able to successfully execute these or other strategic initiatives or that we will be able to execute these initiatives on our expected timetable. We may not be successful in refocusing our core business and obtaining operational efficiencies or replacing revenues lost as a result of these strategic initiatives.

Our operating results fluctuate from quarter to quarter; no single quarter is predictive of future periods' results.

Our operating results fluctuate quarter to quarter primarily due to the vacation periods during the first quarter in the Asia Pacific region and the third quarter in the Americas and Europe regions. Demand for our services is typically lower during traditional national vacation periods when clients and candidates are on vacation.

Our revenue can vary because our clients can terminate their relationship with us at any time with limited or no penalty.

We provide professional mid-level personnel on temporary assignment-by-assignment basis, which clients can generally terminate at any time or reduce their level of use when compared to prior periods. Our professional recruitment business is also significantly affected by our clients' hiring needs and their views of their future prospects. These factors can also affect our RPO business. Clients may, on very short notice, terminate, reduce or postpone their recruiting assignments with us and, therefore, affect demand for our services. This could have a material adverse effect on our business, financial condition and results of operations.

Our markets are highly competitive.

The markets for our services are highly competitive. Our markets are characterized by pressures to provide high levels of service, incorporate new capabilities and technologies, accelerate job completion schedules and reduce prices. Furthermore, we face competition from a number of sources. These sources include other executive search firms and professional search, staffing and consulting firms. Several of our competitors have greater financial and marketing resources than we do. Due to competition, we may experience reduced margins on our services, loss of market share and our customers. If we are not able to compete effectively with current or future competitors as a result of these and other factors, our business, financial condition and results of operations could be materially adversely affected.

We have no significant proprietary technology that would preclude or inhibit competitors from entering the mid-level professional staffing markets. We cannot provide assurance that existing or future competitors will not develop or offer services that provide significant performance, price, creative or other advantages over our services. In addition, we believe that, with continuing development of information technology, the industries in which we compete may attract new competitors. Specifically, the increased use of the web-based and mobile technology may attract technology-oriented companies to the professional staffing industry. We cannot provide assurance that we will be able to continue to compete effectively against existing or future competitors. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We have had periods of negative cash flows and operating losses that may recur in the future.

We have experienced negative cash flows and reported operating and net losses in the past. For example, we had operating and net losses for the years ended December 31, 2016 and 2014. We cannot provide any assurance that we will have positive cash flows or operating profitability in the future, particularly to the extent the global economy continues to recover slowly from the global economic downturn. If our revenue declines or if operating expenses exceed our expectations, we may not be profitable and may not generate positive operating cash flows.

Our credit facilities restrict our operating flexibility.

Our credit facilities contain various restrictions and covenants that restrict our operating flexibility including:

- borrowings limited to eligible receivables;
- lenders' ability to impose restrictions, such as payroll or other reserves;
- limitations on payments of dividends by our subsidiaries to us, which may restrict our ability to pay dividends to our shareholders;
- restrictions on our ability to make additional borrowings, or to consolidate, merge or otherwise fundamentally change our ownership;
- limitations on capital expenditures, investments, dispositions of assets, guarantees of indebtedness, permitted acquisitions and repurchases of stock; and
- limitations on certain intercompany payments of expenses, interest and dividends.

These restrictions and covenants could have adverse consequences for investors, including the consequences of our need to use a portion of our cash flow from operations for debt service, rather than for our operations, restrictions on our ability to incur additional debt financing for future working capital or capital expenditures, a lesser ability for us to take advantage of significant business opportunities, such as acquisition opportunities, the potential need for us to undertake equity transactions which may dilute the ownership of existing investors, and our inability to react to market conditions by selling lesser-performing assets.

In addition, a default, amendment or waiver to our credit facilities to avoid a default may result in higher rates of interest and could impact our ability to obtain additional borrowings. Finally, debt incurred under our credit facilities bears interest at variable rates. Any increase in interest expense could reduce the funds available for operations.

Extensions of credit under our existing agreements are permitted based on a borrowing base, which is an agreed percentage of eligible accounts receivable, less required reserves, applicable letters of credit and outstanding borrowings. If the amount or quality of our accounts receivable deteriorates, then our ability to borrow under these credit facilities will be directly affected. Furthermore, our receivables facilities with National Australia Bank Limited and Bank of New Zealand do not have a stated maturity date and can be terminated by National Australia Bank Limited and Bank of New Zealand upon 90 days' written notice, and our receivables finance agreement with Lloyds Bank PLC and Lloyds Bank Commercial Finance can be terminated by Lloyds Bank PLC and Lloyds Bank Commercial Finance upon three months’ written notice. We cannot provide assurance that we will be able to borrow under these credit facilities if we need cash to fund working capital or other needs.

If sources of liquidity are not available or if we cannot generate sufficient cash flows from operations, then we may be required to obtain additional sources of funds through additional operating improvements, capital markets transactions, asset sales or financing from third parties, or a combination thereof and, under certain conditions, such transactions could substantially dilute the ownership of existing stockholders. We cannot provide assurance that the additional sources of funds will be available, or if available, would have reasonable terms.

Our investment strategy subjects us to risks.

From time to time, we make investments as part of our growth plans. Investments may not perform as expected because they are dependent on a variety of factors, including our ability to effectively integrate new personnel and operations, our ability to sell new services, and our ability to retain existing or gain new clients. Furthermore, we may need to borrow more cash from lenders or sell equity or debt securities to the public to finance future investments and the terms of these financings may be adverse to us.

We face risks related to our international operations.

We conduct operations in 13 countries and face both translation and transaction risks related to foreign currency exchange. For the year ended December 31, 2016, approximately 92% of our gross margin was earned outside of the United States ("U.S."). Our financial results could be materially affected by a number of factors particular to international operations. These include, but are not limited to, difficulties in staffing and managing international operations, operational issues such as longer customer payment cycles and greater difficulties in collecting accounts receivable, changes in tax laws or other regulatory requirements, issues relating to uncertainties of laws and enforcement relating to the regulation and protection of intellectual property, and currency fluctuation. If we are forced to discontinue any of our international operations, we could incur material costs to close down such operations.

Regarding the foreign currency risk inherent in international operations, the results of our local operations are reported in the applicable foreign currencies and then translated into U.S. dollars at the applicable foreign currency exchange rates for inclusion in our financial statements. In addition, we generally pay operating expenses in the corresponding local currency. Because of devaluations and fluctuations in currency exchange rates or the imposition of limitations on conversion of foreign currencies into U.S. dollars, we are subject to currency translation exposure on the revenue and income of our operations in addition to economic exposure. Our consolidated U.S. dollar cash balance could be lower because a significant amount of cash is generated outside of the U.S. This risk could have a material adverse effect on our business, financial condition and results of operations.

We depend on our key management personnel.

Our success depends to a significant extent on our senior management team. The loss of the services of one or more key senior management team member could have a material adverse effect on our business, financial condition and results of operations. In addition, if one or more key employees join a competitor or form a competing company, the resulting loss of existing or potential clients could have a material adverse effect on our business, financial condition and results of operations.

Failure to attract and retain qualified personnel could negatively impact our business, financial condition and results of operations.

Our success also depends upon our ability to attract and retain highly-skilled professionals who possess the skills and experience necessary to meet the staffing requirements of our clients. We must continually evaluate and upgrade our base of available qualified personnel to keep pace with changing client needs and emerging technologies. Furthermore, a substantial number of our contractors during any given year may terminate their employment with us and accept regular staff employment with our clients. Competition for qualified professionals with proven skills is intense, and demand for these individuals is expected to remain strong for the foreseeable future. There can be no assurance that qualified personnel will continue to be available to us in sufficient numbers. If we are unable to attract the necessary qualified personnel for our clients, it may have a negative impact on our business, financial condition and results of operations.

We face risks in collecting our accounts receivable.

In virtually all of our businesses, we invoice customers after providing services, which creates accounts receivable. Delays or defaults in payments owed to us could have a significant adverse impact on our business, financial condition and results of operations. Factors that could cause a delay or default include, but are not limited to, global economic conditions, business failures, and turmoil in the financial and credit markets.

In certain situations, we provide our services to clients under a contractual relationship with a third-party vendor manager, rather than directly to the client. In those circumstances, the third-party vendor manager is typically responsible for aggregating billing information, collecting receivables from the client and paying staffing suppliers once funds are received from the client. In the event that the client has paid the vendor manager for our services and we are unable to collect from the vendor manager, we may be exposed to financial losses.

If we are unable to maintain costs at an acceptable level, our operations could be adversely impacted.

Our ability to reduce costs in line with our revenues is important for the improvement of our profitability. Efforts to improve our efficiency could be affected by several factors including turnover, client demands, market conditions, changes in laws, and availability of talent. If we fail to realize the expected benefits of these cost reduction initiatives, this could have an adverse effect on our financial condition and results of operations.

We rely on our information systems, and if we lose our information processing capabilities or fail to further develop our technology, our business could be adversely affected.

Our success depends in large part upon our ability to store, retrieve, process, and manage substantial amounts of information, including our client and candidate databases. To achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our information systems. This may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. If we are unable to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or if we experience any interruption or loss of our information processing capabilities, for any reason, this could adversely affect our business, financial condition and results of operations.

As we operate in an international environment, we are subject to greater cyber-security risks and incidents. We also use mobile devices, social networking and other online activities to connect with our candidates, clients and business partners. While we have implemented measures to prevent security breaches and cyber incidents, our measures may not be effective and any security breaches or cyber incidents could adversely affect our business, financial condition and results of operations.

Our business depends on uninterrupted service to clients.

Our operations depend on our ability to protect our facilities, computer and telecommunication equipment and software systems against damage or interruption from fire, power loss, cyber attacks, sabotage, telecommunications interruption, weather conditions, natural disasters and other similar events. Additionally, severe weather can cause our employees or contractors to miss work and interrupt delivery of our service, potentially resulting in a loss of revenue. While interruptions of these types that have occurred in the past have not caused material disruption, it is not possible to predict the type, severity or frequency of interruptions in the future or their impact on our business.

We may be exposed to employment-related claims, legal liability and costs from clients, employees and regulatory authorities that could adversely affect our business, financial condition or results of operations, and our insurance coverage may not cover all of our potential liability.

We are in the business of employing people and placing them in the workplaces of other businesses. Risks relating to these activities include:

- claims of misconduct or negligence on the part of our employees;
- claims by our employees of discrimination or harassment directed at them, including claims relating to actions of our clients;
- claims related to the employment of illegal aliens or unlicensed personnel;
- claims for payment of workers' compensation and other similar claims;
- claims for violations of wage and hour requirements;

- claims for entitlement to employee benefits;
- claims of errors and omissions of our temporary employees;
- claims by taxing authorities related to our independent contractors and the risk that such contractors could be considered employees for tax purposes;
- claims by candidates that we place for wrongful termination or denial of employment;
- claims related to our non-compliance with data protection laws, which require the consent of a candidate to transfer resumes and other data; and

- claims by our clients relating to our employees' misuse of client proprietary information, misappropriation of funds, other misconduct, criminal activity or similar claims.

We are exposed to potential claims with respect to the recruitment process. A client could assert a claim for matters such as breach of a blocking arrangement or recommending a candidate who subsequently proves to be unsuitable for the position filled. Similarly, a client could assert a claim for deceptive trade practices on the grounds that we failed to disclose certain referral information about the candidate or misrepresented material information about the candidate. Further, the current employer of a candidate whom we place could file a claim against us alleging interference with an employment contract. In addition, a candidate could assert an action against us for failure to maintain the confidentiality of the candidate's employment search or for alleged discrimination or other violations of employment law by one of our clients.

We may incur fines and other losses or negative publicity with respect to these problems. In addition, some or all of these claims may give rise to litigation, which could be time-consuming to our management team, costly and could have a negative effect on our business. In some cases, we have agreed to indemnify our clients against some or all of these types of liabilities. We cannot assure that we will not experience these problems in the future, that our insurance will cover all claims, or that our insurance coverage will continue to be available at economically-feasible rates.

Our ability to utilize net operating loss carry-forwards may be limited.

The Company has U.S. net operating loss carry-forwards (“NOLs”) that expire through 2036. Section 382 of the U.S. Internal Revenue Code imposes an annual limitation on a corporation's ability to utilize NOLs if it experiences an “ownership change.” In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by greater than 50% over a three-year period. The Company has experienced ownership changes in the past. Ownership changes in our stock, some of which are outside of our control, could result in a limitation in our ability to use our NOLs to offset future taxable income, could cause U.S. Federal income taxes to be paid earlier than otherwise would be paid if such limitation were not in effect and could cause such NOLs to expire unused, reducing or eliminating the benefit of such NOLs.

There may be volatility in our stock price.

The market price for our common stock has fluctuated in the past and could fluctuate substantially in the future. For example, during 2016, the market price of our common stock reported on the NASDAQ Global Select Market ranged from a high of $2.97 to a low of $1.20. Factors such as general macroeconomic conditions adverse to workforce expansion, the announcement of variations in our quarterly financial results or changes in our expected financial results could cause the market price of our common stock to fluctuate significantly. Further, due to the volatility of the stock market, our relatively low daily trading volume or actions by significant stockholders, the price of our common stock could fluctuate for reasons unrelated to our operating performance.

Our future earnings could be reduced as a result of the imposition of licensing or tax requirements or new regulations that prohibit, or restrict certain types of employment services we offer.

In many jurisdictions in which we operate, the provision of temporary staffing is heavily regulated. For example, governmental regulations can restrict the length of contracts of contract employees and the industries in which they may be used. In some countries, special taxes, fees or costs are imposed in connection with the use of contract workers.

The countries in which we operate may:

- create additional regulations that prohibit or restrict the types of employment services that we currently provide;
- impose new or additional benefit requirements;
- require us to obtain additional licensing to provide staffing services;
- impose new or additional restrictions on movements between countries;
- increase taxes, such as sales or value-added taxes, payable by the providers of staffing services;

- increase the number of various tax and compliance audits relating to a variety of regulations, including wage and hour laws, unemployment taxes, workers' compensation, immigration, and income, value-added and sales taxes; or

- revise transfer pricing laws or successfully challenge our transfer prices, which may result in higher foreign taxes or tax liabilities or double taxation of our foreign operations.

Any future regulations that make it more difficult or expensive for us to continue to provide our staffing services may have a material adverse effect on our business, financial condition and results of operations.

Provisions in our organizational documents and Delaware law will make it more difficult for someone to acquire control of us.

Our certificate of incorporation and by-laws and the Delaware General Corporation Law contain several provisions that make it more difficult to acquire control of us in a transaction not approved by our Board of Directors, including transactions in which stockholders might otherwise receive a premium for their shares over then current prices, and that may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. Our certificate of incorporation and by-laws currently include provisions:

- authorizing our Board of Directors to issue shares of our preferred stock in one or more series without further authorization of our stockholders;

- requiring that stockholders provide advance notice of any stockholder nomination of directors or any new business to be considered at any meeting of stockholders; and

- providing that vacancies on our Board of Directors will be filled by the remaining directors then in office.

In addition, Section 203 of the Delaware General Corporation Law generally provides that a corporation may not engage in any business combination with any interested stockholder during the three-year period following the time that the stockholder becomes an interested stockholder, unless a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder or specified stockholder approval requirements are met.

In February 2005, our Board of Directors adopted a Rights Agreement between the Company and a rights agent (the "2005 Rights Agreement") and declared a dividend of one preferred share purchase right (a “Right”) for each outstanding share of our common stock payable upon the close of business on February 28, 2005 to the stockholders of record on that date. On January 15, 2015, our Board of Directors approved an amendment and restatement of the 2005 Rights Agreement by adopting an Amended and Restated Rights Agreement (the "Rights Agreement") between the Company and a rights agent. The Board adopted the Rights Agreement in an effort to protect stockholder value by attempting to diminish the risk that the Company's ability to use its net operating losses ("NOLs") to reduce potential future Federal income tax obligations may become substantially limited. Each Right entitles the registered holder to purchase from us one one-hundredth ($1/100^{th}$) of a share of our Series A Junior Participating Preferred Stock (“Preferred Shares”) at a price of $8.50 per one one-hundredth of a Preferred Share, subject to adjustment. If any person becomes a 4.99% or more stockholder of the Company, then each Right (subject to certain limitations) will entitle its holder to purchase, at the Right's then current exercise price, a number of shares of common stock of the Company or of the acquirer having a market value at the time of twice the Right's per share exercise price. The Company's Board of Directors may redeem the Rights for $0.001 per Right at any time prior to the time when the Rights become exercisable. The Rights will expire on the earliest of (i) January 15, 2018, (ii) the time at which the Rights are redeemed as described above, (iii) the time at which the Rights are exchanged pursuant to the terms of the Rights Agreement, (iv) the repeal of Section 382 of the Internal Revenue Code if the Board determines that the Rights Agreement is no longer necessary for the preservation of the Company’s NOLs, and (v) the beginning of a taxable year of the Company to which the Board determines that no NOLs may be carried forward. The Rights may have certain anti-takeover effects. The Rights may cause substantial dilution to any person or group that attempts to acquire the Company without the approval of the Board. As a result, the overall effect of the rights may be to render more difficult or discourage a merger, tender offer or other business combination involving the Company that is not supported by the Board.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

All of the Company's operating offices are located in leased premises. Our principal executive office is located at 1325 Avenue of the Americas, New York, New York, 10019, where we occupy space under a lease expiring in December 2017 with approximately 7,000 aggregate square feet.

Hudson Americas shares our principal executive office and maintains no other leased locations. Hudson Asia Pacific maintains 16 leased locations with approximately 130,000 aggregate square feet. Hudson Europe maintains 17 leased locations with approximately 142,000 aggregate square feet. All leased space is considered to be adequate for the operation of its business, and no difficulties are foreseen in meeting any future space requirements.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings that are incidental to the conduct of its business. The Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information, as of March 3, 2017, regarding the executive officers of Hudson Global, Inc.:

Name	Age	Title
Stephen A. Nolan	56	Chief Executive Officer
Patrick Lyons	53	Chief Financial Officer and Chief Accounting Officer
David F. Kirby	42	Senior Vice President, Treasury and Investor Relations

The following biographies describe the business experience of our executive officers:

Stephen A. Nolan has served as Chief Executive Officer since May 2015, with overall responsibility for the Company’s growth strategy, operational execution, and overall performance. Until August 2015, Mr. Nolan also served concurrently as Executive Vice President and Chief Financial Officer, a position he held since joining the Company in May 2013. Mr. Nolan also served as the Company’s Controller from March 2014 to March 2015. Mr. Nolan has more than 30 years of experience in accounting and finance, and has served as Chief Financial Officer for both Adecco Group North America and DHL Global Forwarding North America. From 2004 until 2012, Mr. Nolan served as Chief Financial Officer of Adecco Group North America, a staffing and human capital division of Adecco SA, one of the world’s leading human resources service providers. During his tenure at Adecco, he helped drive strong performance during a market downturn, spearheaded a major back office transformation and led the acquisition of MPS. Earlier in his career, he spent 15 years with Reckitt Benckiser, including two in the UK. Mr. Nolan is a Chartered Accountant and began his career as Audit Senior with PricewaterhouseCoopers in Ireland.

Patrick Lyons has served as Chief Financial Officer and Chief Accounting Officer since August 2015 with overall responsibility for the Company's global accounting and finance functions. Prior to that, Mr. Lyons served as Vice President, Planning since 2010 and prior to that as Chief Financial Officer, Americas, since joining the Company in 2006. Having served for more than 25 years in professional services financial management and leadership roles, Mr. Lyons combines analytical rigor with hands-on execution focus, driving accountability and accuracy in financial reporting, cost control and profitability. Before joining the Company, Mr. Lyons held Chief Financial Officer roles at two staffing companies, Strategic Legal Resources and Adecco Staffing USA. Previously, Mr. Lyons worked for the TNT Group and Arthur Andersen where he qualified as a Chartered Accountant.

David F. Kirby, has served as Senior Vice President, Treasury and Investor Relations since August 2015. Prior to that, Mr. Kirby served as Vice President, Finance since 2011 and as Assistant Treasurer since 2008. Prior to that, Mr. Kirby served in a variety of roles in finance, treasury and investor relations since joining the Company in 2001. Prior to joining the Company, Mr. Kirby held positions at TMP Worldwide, TransportEdge, and Merrill Lynch.

Executive officers are elected by and serve at the discretion of the Board of Directors. There are no family relationships between any of our directors or executive officers.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR COMMON STOCK

The Company's common stock was listed for trading on the NASDAQ Global Select Market during 2016 under the symbol "HSON." On January 31, 2017, there were approximately 409 holders of record of the Company's common stock.

The following is a list by fiscal quarter of the market prices of the Company's common stock.

	Market Price	
	High	Low
2016		
Fourth quarter	$1.70	$1.20
Third quarter	$2.41	$1.46
Second quarter	$2.74	$1.85
First quarter	$2.97	$2.22
2015		
Fourth quarter	$2.98	$2.10
Third quarter	$3.24	$2.10
Second quarter	$3.10	$2.11
First quarter	$3.23	$1.98

DIVIDENDS

In December 2015, our Board of Directors determined that we would pay a quarterly cash dividend on our common stock. The Company paid two cash dividends of $0.05 per share during fiscal 2016, the first on March 25, 2016 to shareholders of record as of March 15, 2016 and the second on June 24, 2016 to shareholders of record as of June 14, 2016. As a result, for the year ended December 31, 2016, the Company paid a total of $3.4 million in dividends to shareholders. The cash dividend payments are applied to accumulated deficit.

In September 2016, the Board of Directors determined that the acceleration of the Company's stock repurchase program was a better use of capital and, accordingly, stopped paying a quarterly cash dividend. Payment of any future cash dividends is at the discretion of the Board of Directors and will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our Board of Directors. In addition, the terms of the credit agreements of our subsidiaries may restrict such subsidiaries from paying dividends and making other distributions to us that would provide us with cash to pay dividends to our shareholders.

ISSUER PURCHASES OF EQUITY SECURITIES

The Company's purchases of its common stock during the fourth quarter of fiscal 2016 were as follows:

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)
October 1, 2016 - October 31, 2016	3,143	1.47	3,143	$ 3,692,000
November 1, 2016 - November 30, 2016	54,341	1.47	54,341	3,612,000
December 1, 2016 - December 31, 2016	85,187	1.48	85,187	3,486,000
Total	142,671	$ 1.48	142,671	$ 3,486,000

(a) On July 30, 2015, the Company announced that its Board of Directors authorized the repurchase of up to $10.0 million of the Company's common stock. The authorization does not expire. As of December 31, 2016, the Company had repurchased 2,989,127 shares for a total cost of approximately $6.5 million under this authorization. From time to time, the Company may enter into a Rule 10b5-1 trading plan for purposes of repurchasing common stock under this authorization.

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.

PERFORMANCE INFORMATION

The following graph compares the cumulative total return since December 31, 2011 of (a) the Company's common stock with (b) Russell 2000 Index and (c) a peer group selected in good faith by the Company, in each case assuming reinvestment of dividends. The graph assumes $100 was invested on December 31, 2011 in the Company's common stock, the Russell 2000 Index and the peer group consisting of Resources Connection, Inc., Kelly Services, Inc., Kforce, Inc., and CDI Corporation.

	December 31,					
	2011	2012	2013	2014	2015	2016
Hudson Global, Inc.	$100.00	$93.53	$83.92	$64.72	$60.96	$29.57
Russell 2000	$100.00	$116.35	$161.52	$169.42	$161.95	$196.45
Peer Group	$100.00	$120.21	$165.40	$161.77	$149.99	$176.16

ITEM 6. SELECTED FINANCIAL DATA

The following table shows selected financial data of the Company that has been adjusted to reflect the classification of certain businesses as discontinued operations. The data has been derived from, and should be read together with, “Management's Discussion and Analysis of Financial Condition and Results of Operations” and corresponding notes and the Consolidated Financial Statements included in Items 7 and 8 of this Form 10-K.

	Year Ended December 31,				
$ in thousands, except per share data	2016	2015	2014	2013	2012
SUMMARY OF OPERATIONS (a):					
Revenue	$422,744	$463,197	$581,192	$562,572	$655,875
Gross margin	$174,417	$187,710	$222,845	$209,429	$257,793
Business reorganization	$1,580	$5,828	$3,789	$5,440	$7,506
Operating income (loss)	$(7,587)	$3,241	$(17,486)	$(27,152)	$(10,094)
Income (loss) from continuing operations	$(8,933)	$1,607	$(15,786)	$(30,211)	$(7,222)
Income (loss) from discontinued operations, net of income taxes	$143	$722	$2,592	$(184)	$1,887
Net income (loss)	$(8,790)	$2,329	$(13,194)	$(30,395)	$(5,335)
Basic income (loss) per share from continuing operations	$(0.27)	$0.05	$(0.48)	$(0.93)	$(0.22)
Basic net income (loss) per share	$(0.26)	$0.07	$(0.40)	$(0.94)	$(0.17)
Diluted income (loss) per share from continuing operations	$(0.27)	$0.05	$(0.48)	$(0.93)	$(0.22)
Diluted net income (loss) per share	$(0.26)	$0.07	$(0.40)	$(0.94)	$(0.17)
OTHER FINANCIAL DATA:					
Net cash provided by (used in) operating activities	$(9,420)	$(17,351)	$(17,840)	$2,513	$13,159
Net cash provided by (used in) investing activities	$(2,724)	$21,648	$16,731	$(2,557)	$(8,272)
Net cash provided by (used in) financing activities	$(2,930)	$644	$(1,256)	$(497)	$(4,274)
BALANCE SHEET DATA:					
Current assets	$84,142	$106,143	$118,921	$134,323	$157,412
Total assets	$101,812	$124,949	$139,672	$158,829	$193,468
Current liabilities	$50,579	$51,591	$67,117	$69,818	$67,168
Total stockholders’ equity	$41,885	$61,180	$59,257	$74,385	$106,541
OTHER DATA:					
EBITDA (loss) (b)	$(4,744)	$6,820	$(11,725)	$(20,471)	$(3,788)

(a) Effective June 14, 2015, the Company completed the sale of substantially all of the assets (excluding working capital) of its US IT business to Mastech, Inc. The Company also completed the sale of its Netherlands business to InterBalanceGroup BV effective April 30, 2015. In addition, during 2015, the Company’s Board of Directors and management approved the exit of operations in certain countries within Central and Eastern Europe (Ukraine, Czech Republic, and Slovakia), Luxembourg and Ireland. As these actions did not meet the requirements for classification as discontinued operations, the operating results and gain (loss) on sale and exit of businesses are presented as components of income (loss) from continuing operations. See Note 3 included in Item 8 of this Form 10-K for additional information.

Effective November 9, 2014, the Company completed the sale of substantially all of the assets and certain liabilities of its Legal eDiscovery business in the U.S and U.K. to Document Technologies, LLC and DTI of London Limited. In addition, the Company ceased its operations in Sweden within the Hudson Europe segment during the third quarter of 2014. The results of operations of the Legal eDiscovery business and the Company's operations in Sweden have been reclassified to discontinued operations for all periods presented and has been excluded from continuing operations in accordance with the provisions of Accounting Standards Codification ("ASC") 205-20-45, “Reporting Discontinued Operations." See Note 4 included in Item 8 of this Form 10-K for additional information.

(b) SEC Regulation S-K 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.

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 generally accepted accounting principles or as a measure of the Company's profitability. See Note 19 to the Consolidated Financial Statements for further EBITDA segment and reconciliation information.

ITEM 7. 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 Consolidated Financial Statements and the notes thereto, included in Item 8 of this Form 10-K. 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 19 to the Consolidated Financial Statements for EBITDA segment reconciliation information.

This MD&A includes the following sections:

- Executive Overview
- Results of Operations
- Liquidity and Capital Resources
- Contingencies
- Critical Accounting Policies
- Recent Accounting Pronouncements
- Forward-Looking Statements

Executive Overview

The Company has expertise in recruiting mid-level professional talent across all management disciplines in a wide range of industries. The Company matches clients and candidates to address client needs on a part time, full time and interim basis. Part of that expertise is derived from research on hiring trends and the Company's clients' current successes and challenges with their staff. This research has helped enhance the Company's understanding about the number of new hires that do not meet its clients' long-term goals, the reasons why, and the resulting costs to the Company's clients. With operations in 13 countries and relationships with specialized professionals around the world, the Company brings a strong ability to match talent with opportunities by assessing, recruiting, developing and engaging the best and brightest 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's focus is to continually upgrade its service offerings, delivery capability and assessment tools to make candidates more successful in achieving its clients' business requirements.

The Company's proprietary frameworks, assessment tools and leadership development programs, coupled with its broad geographic footprint, have allowed the Company to design and implement regional and global recruitment solutions that the Company believes greatly enhance the quality of its client's hiring.

To accelerate the implementation of the Company's strategy, the Company has engaged in the following initiatives:

- Investing in the core businesses and practices that present the greatest potential for profitable growth.
- Facilitating growth and development of the global RPO business.
- Building and differentiating the Company's brand through its unique talent solutions offerings.
- Improving further the Company's cost structure and efficiency of its support functions and infrastructure.

Strategic Actions

During the year ended December 31, 2015, the Company executed on strategic actions to focus on its core business lines and growth opportunities. These actions included:

- In February 2015, the Company's management approved the exit of operations in certain countries within Central and Eastern Europe (Ukraine, Czech Republic and Slovakia). During the second quarter of 2015, the Company deemed the liquidation of those Central and Eastern Europe businesses to be substantially complete. As such, under ASC 830, "Foreign Currency Matters," the Company transferred $1.2 million of accumulated foreign currency translation gains from accumulated other comprehensive income to the statement of operations within gain on sale and exit of businesses. See Note 3 to the Consolidated Financial Statements for additional information.

- In March 2015, the Company's management approved the exit of operations in Luxembourg. During the third quarter of 2015, the Company deemed the liquidation of its Luxembourg business to be substantially complete. As such, under ASC 830, "Foreign Currency Matters," the Company transferred $0.1 million of accumulated foreign currency translation losses from accumulated other comprehensive income to the statement of operations within gain on sale and exit of businesses. See Note 3 to the Consolidated Financial Statements for additional information.
- On May 7, 2015, the Company completed the sale of its Netherlands business to InterBalance Group B.V., effective April 30, 2015, in a management buyout for $9.0 million, including cash sold of $1.1 million. The Company recognized a gain on sale of $2.8 million, net of closing and other direct transaction costs, on the divestiture of the Netherlands business which included $2.8 million of non-cash accumulated foreign currency translation losses. See Note 3 to the Consolidated Financial Statements for additional information.
- On June 15, 2015, the Company completed the sale of its Hudson Information Technology (US) business (the "US IT business") for $17.0 million in cash. The Company retained approximately $3.0 million in net working capital associated with the US IT business. The Company recognized a gain on sale of $15.9 million, net of closing and other direct transaction costs. See Note 3 to the Consolidated Financial Statements for additional information.
- In August 2015, the Company exited its operations in Ireland.
- In the fourth quarter of 2015, the Company substantially completed the migration of the remaining Americas business to a new, lower-cost, IT platform and shared service center and decommissioned the legacy support infrastructures.

Discontinued Operations

Effective November 9, 2014, the Company completed the sale of substantially all of the assets and certain liabilities of its Legal eDiscovery business in the U.S. and U.K. to Document Technologies, LLC and DTI of London Limited for $23.0 million in cash, and recorded a gain of $11.3 million in connection with the sale. In addition, the Company ceased its operations in Sweden within the Hudson Europe segment during the third quarter of 2014.

The Company's divestiture of its Legal eDiscovery business and exit of operations in Sweden accounted for $0.2 million of operating income and $0.0 million of operating loss for the year ended December 31, 2016, respectively, which have been reclassified to discontinued operations for all periods presented and have been excluded from continuing operations and from segment results for all periods presented in accordance with the provisions of ASC 205-20-45 “Reporting Discontinued Operations”. See Note 4 included in Item 8 of this Form 10-K for additional information.

Current Market Conditions

Economic conditions in most of the world's major markets remain mixed. In the U.K., the June 23, 2016 referendum by British voters to exit the European Union (commonly referred to as “Brexit”) adversely impacted global markets, including currencies, and resulted in a decline in the value of the British pound as compared to the U.S. dollar. A weaker British pound compared to the U.S. dollar during a reporting period causes local currency results of the Company's U.K. operations to be translated into fewer U.S. dollars. The Company's U.K. operations, future financial performance and translation of results may be affected, in part, by the outcome of tariff, trade, regulatory, and other negotiations as the U.K. negotiates its exit from the European Union.

Conditions in Continental Europe have shown improvement with GDP growth in most of the major markets, as well as forecasted GDP growth for 2017. Australia faces a modest growth outlook for 2017, while the outlook for Asia is uncertain given China's slowing growth outlook.

The Company closely monitors the economic environment and business climate in its markets and responds accordingly. At this time, the Company is unable to accurately predict the outcome of these events or changes in general economic conditions and their effect on the demand for the Company's services.

Financial Performance

For the year ended December 31, 2016, the Company increased revenue in its retained businesses in most markets. On a constant currency basis, for the year ended December 31, 2016, revenue and gross margin declined by $20.7 million and $7.2 million, or 4.7% and 4.0%, respectively, compared to 2015. A primary driver of the decrease was attributable to the prior year divestitures of the Netherlands, US IT business, Luxembourg and Central and Eastern Europe businesses. The following table reconciles the change in reported revenue and gross margin for the year ended December 31, 2016:

	Year Ended December 31, 2016	
$ in millions	Change in Revenue on a Constant Currency Basis	Change in Gross Margin on a Constant Currency Basis
Netherlands divestiture	$(12.7)	$ (2.7)
US IT business divestiture	(13.7)	(3.4)
Luxembourg divestiture	(0.3)	(0.1)
Central and Eastern Europe divestitures	(0.1)	(0.1)
Retained businesses increase (decrease)	6.1	(0.9)
Reported change	$(20.7)	$ (7.2)

On a constant currency basis, the Company's retained businesses experienced an overall increase in revenue for the year ended 2016, as compared to 2015. This was driven by retained revenue growth in 10 countries, led by Australia, Belgium, New Zealand, France, Hong Kong and the Americas. The increases were partially offset by declines in revenue in the U.K. and China.

The following is a summary of the highlights for the years ended December 31, 2016, 2015 and 2014. These should be considered in the context of the additional disclosures in this MD&A.

- Revenue was $422.7 million for the year ended December 31, 2016, compared to $463.2 million for 2015, a decrease of $40.5 million, or 8.7%.

  On a constant currency basis, revenue decreased $20.7 million, or 4.7%. Contracting revenue decreased $18.7 million (down 6.5% compared to 2015) and permanent recruitment revenue decreased $2.6 million (down 2.2% compared to 2015). The decreases were partially offset by an increase in talent management revenue of $0.3 million (up 0.7% compared to 2015).

- Revenue was $463.2 million for the year ended December 31, 2015, compared to $581.2 million for 2014, a decrease of $118.0 million, or 20.3%.

  On a constant currency basis, the Company's revenue decreased $48.8 million, or 9.9%. Contracting revenue decreased $54.6 million (down 15.9% compared to 2014). The decrease was partially offset by increases in permanent recruitment revenue of $5.6 million (up 5.1% compared to 2014) and talent management revenue of $0.8 million (up 2.2% compared to 2014).

- Gross margin was $174.4 million for the year ended December 31, 2016, compared to $187.7 million for 2015, a decrease of $13.3 million, or 7.1%.

  On a constant currency basis, gross margin decreased $7.2 million, or 4.0%. Contracting gross margin decreased $6.5 million (down 15.9% compared to 2015) and permanent recruitment gross margin decreased $2.4 million (down 2.1% compared to 2015). The decrease was partially offset by an increase in talent management gross margin of $1.5

million (up 5.4% compared to 2015).

Gross margin was $187.7 million for the year ended December 31, 2015, compared to $222.8 million for 2014, a decrease of $35.1 million, or 15.8%.

On a constant currency basis, gross margin decreased $9.1 million, or 4.8%. Contracting gross margin decreased $12.7 million (down 23.8% compared to 2014) and talent management gross margin decreased $1.1 million (down 3.6% compared to 2014). The decrease was partially offset by an increase in permanent recruitment gross margin of $4.9 million (up 4.6% compared to 2014).

- Selling, general and administrative expenses and other non-operating income (expense) (“SG&A and Non-Op”) was $177.6 million for the year ended December 31, 2016, compared to $194.9 million for 2015, a decrease of $17.3 million, or 8.9%.
On a constant currency basis, SG&A and Non-Op decreased $10.7 million, or 5.7%. SG&A and Non-Op, as a percentage of revenue, was 42.0% for the year ended December 31, 2016, compared to 42.5% for 2015.
SG&A and Non-Op was $194.9 million for the year ended December 31, 2015, compared to $230.1 million for 2014, a decrease of $35.2 million, or 15.3%.
On a constant currency basis, SG&A and Non-Op decreased $9.8 million, or 5.0%. SG&A and Non-Op, as a percentage of revenue, was 42.5% for the year ended December 31, 2015, compared to 40.3% for 2014.
- Business reorganization was $1.6 million for the year ended December 31, 2016, compared to $5.8 million for 2015, a decrease of $4.2 million, or $4.1 million on a constant currency basis.
Business reorganization was $5.8 million for the year ended December 31, 2015, compared to $3.8 million for 2014, an increase of $2.0 million, or $2.4 million on a constant currency basis.
- For the year ended December 31, 2014, the Company recorded an impairment of long-lived assets charge of $0.7 million. See "Long-lived Assets and Goodwill" below for further detail.
- EBITDA loss was $4.7 million for the year ended December 31, 2016, compared to EBITDA of $6.8 million for 2015. On a constant currency basis, EBITDA decreased $12.1 million in 2016 compared to 2015.
EBITDA was $6.8 million for the year ended December 31, 2015, compared to EBITDA loss of $11.7 million for 2014. On a constant currency basis, EBITDA increased $18.8 million in 2015 compared to 2014.
- Net loss was $8.8 million for the year ended December 31, 2016, compared to a net income of $2.3 million for 2015. On a constant currency basis, net income decreased $11.9 million in 2016 compared to 2015.
Net income was $2.3 million for the year ended December 31, 2015, compared to a net loss of $13.2 million for 2014. On a constant currency basis, net income increased $15.0 million in 2015 compared to 2014.

Long-lived Assets and Goodwill

Under Financial Accounting Standards Board ("FASB") Accounting Standard Codification (“ASC”) 360, “Property, Plant, and Equipment," the Company is required to test a long-lived asset for impairment if circumstances indicate that its carrying value might exceed its current fair value.

During the fourth quarter of 2016, the Company experienced continued declines in the operating results within certain markets. These events were deemed to be triggering events that required the Company to perform an impairment assessment with respect to long-lived assets, primarily property and equipment. The Company's internal projections as of the fourth quarter of 2016 anticipate improvement in its operating performance in 2017. The undiscounted future cash flows resulting from the long-lived assets use and eventual disposition, exceeded the asset groups' carrying values. Accordingly, management concluded the Company's long-lived assets were not impaired.

In addition to the Company's long-lived assets impairment testing, the Company's management also tested its goodwill for potential impairment as of October 1, 2016. At the conclusion of its goodwill impairment testing, the Company determined the fair value of its China reporting unit substantially exceeded its carrying value. As such, the Company determined that no impairment of goodwill had taken place.

Although the Company currently anticipates improvement in its operating results for 2017, if general economic conditions in certain markets in which the Company operates remain weak, or if the Company’s performance does not improve, the Company may record impairment charges related to goodwill and other long-lived assets in the future.
Constant Currency
The Company operates on a global basis, with the majority of its gross margin generated outside of the U.S. Accordingly, fluctuations in foreign currency exchange rates can affect our results of operations. For the discussion of reportable segment results of operations, the Company uses constant currency information. Constant currency compares financial results between

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periods as if exchange rates had remained constant period-over-period. The Company defines the term “constant currency” to mean that financial data for previously reported periods are translated into U.S. dollars using the same foreign currency exchange rates that were used to translate financial data for the current period. 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 revenue, gross margin, SG&A and Non-Op, business reorganization, 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 rate adjustments on the Company’s operating results for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31,						
	2016	2015			2014		
$ in thousands	As reported	As reported	Currency translation	Constant currency	As reported	Currency translation	Constant currency
Revenue:							
Hudson Americas	$15,561	$28,627	$(22)	$28,605	$50,146	$(128)	$50,018
Hudson Asia Pacific	236,839	219,391	(2,235)	217,156	246,873	(39,412)	207,461
Hudson Europe	170,344	215,179	(17,537)	197,642	284,173	(49,465)	234,708
Total	$422,744	$463,197	$(19,794)	$443,403	$581,192	$(89,005)	$492,187
Gross margin:							
Hudson Americas	$13,609	$16,111	$(22)	$16,089	$20,757	$(123)	$20,634
Hudson Asia Pacific	84,126	89,682	(1,533)	88,149	93,014	(13,074)	79,940
Hudson Europe	76,682	81,917	(4,550)	77,367	109,074	(18,907)	90,167
Total	$174,417	$187,710	$(6,105)	$181,605	$222,845	$(32,104)	$190,741
SG&A and Non-Op (a):							
Hudson Americas	$12,862	$17,590	$(44)	$17,546	$20,582	$(178)	$20,404
Hudson Asia Pacific	83,954	85,684	(1,700)	83,984	92,127	(12,783)	79,344
Hudson Europe	74,514	83,617	(4,836)	78,781	108,613	(19,004)	89,609
Corporate	6,251	8,006	—	8,006	8,797	—	8,797
Total	$177,581	$194,897	$(6,580)	$188,317	$230,119	$(31,965)	$198,154
Business reorganization:							
Hudson Americas	$(39)	$1,108	$—	$1,108	$94	$—	$94
Hudson Asia Pacific	248	669	29	698	1,322	(215)	1,107
Hudson Europe	1,387	2,883	(141)	2,742	1,407	(211)	1,196
Corporate	(16)	1,168	—	1,168	966	—	966
Total	$1,580	$5,828	$(112)	$5,716	$3,789	$(426)	$3,363
Operating income (loss):							
Hudson Americas	$1,090	$12,931	$10	$12,941	$870	$11	$881
Hudson Asia Pacific	454	3,548	119	3,667	(3,013)	357	(2,656)
Hudson Europe	1,709	1,743	381	2,124	3,112	(391)	2,721
Corporate	(10,840)	(14,981)	—	(14,981)	(18,455)	—	(18,455)
Total	$(7,587)	$3,241	$510	$3,751	$(17,486)	$(23)	$(17,509)
Net income (loss), consolidated	$(8,790)	$2,329	$733	$3,062	$(13,194)	$1,214	$(11,980)
EBITDA (loss) from continuing operations(b):							
Hudson Americas	$770	$13,354	$27	$13,381	$117	$55	$172
Hudson Asia Pacific	(338)	2,851	123	2,974	(890)	(54)	(944)
Hudson Europe	1,064	(207)	413	206	(1,187)	345	(842)
Corporate	(6,240)	(9,178)	—	(9,178)	(9,765)	—	(9,765)
Total	$(4,744)	$6,820	$563	$7,383	$(11,725)	$346	$(11,379)

(a) SG&A and Non-Op is a measure that management uses to evaluate the segments' expenses, which include the following captions on the Consolidated Statements of Operations: Salaries and related, Office and general, Marketing and promotion and other income (expense), net. Corporate management fees are included in the segments' other income (expense).

(b) See EBITDA reconciliation in the following section.

Use of EBITDA (Non-GAAP 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. EBITDA is also considered by management as an indicator of operating performance and most comparable measure across the regions in which we operate. Management also uses this measurement 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 generally accepted accounting principles in the U.S. (“GAAP”) or as a measure of the Company’s profitability. EBITDA is derived from net income (loss) 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:

	Year Ended December 31,		
$ in thousands	2016	2015	2014
Net income (loss)	$(8,790)	$2,329	$(13,194)
Adjustment for income (loss) from discontinued operations, net of income taxes	143	722	2,592
Income (loss) from continuing operations	$(8,933)	$1,607	$(15,786)
Adjustments to income (loss) from continuing operations			
Provision for (benefit from) income taxes	742	646	(2,159)
Interest expense (income), net	357	722	661
Depreciation and amortization	3,090	3,845	5,559
Total adjustments from income (loss) from continuing operations to EBITDA (loss)	4,189	5,213	4,061
EBITDA (loss)	$(4,744)	$6,820	$(11,725)

Contracting Data

The following table sets forth the Company's contracting revenue, gross margin and gross margin as a percentage of revenue for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31,						
	2016	2015			2014		
$ in thousands	As reported	As reported	Currency translation	Constant currency	As reported	Currency translation	Constant currency
CONTRACTING DATA (a):							
Contracting revenue:							
Hudson Americas	$1,459	$15,562	$—	$15,562	$37,816	$—	$37,816
Hudson Asia Pacific	168,577	142,350	(769)	141,581	170,370	(29,164)	141,206
Hudson Europe	100,741	147,140	(14,764)	132,376	199,920	(34,845)	165,075
Total	$270,777	$305,052	$(15,533)	$289,519	$408,106	$(64,009)	$344,097
Contracting gross margin:							
Hudson Americas	$222	$3,587	$—	$3,587	$8,738	$—	$8,738
Hudson Asia Pacific	20,052	17,937	(94)	17,843	21,412	(3,635)	17,777
Hudson Europe	13,849	21,044	(2,033)	19,011	32,370	(5,603)	26,767
Total	$34,123	$42,568	$(2,127)	$40,441	$62,520	$(9,238)	$53,282
Contracting gross margin as a percent of contracting revenue:							
Hudson Americas	15.2 %	23.0 %	N/A	23.0 %	23.1 %	N/A	23.1 %
Hudson Asia Pacific	11.9 %	12.6 %	N/A	12.6 %	12.6 %	N/A	12.6 %
Hudson Europe	13.7 %	14.3 %	N/A	14.4 %	16.2 %	N/A	16.2 %
Total	12.6 %	14.0 %	N/A	14.0 %	15.3 %	N/A	15.5 %

(a) Contracting gross margin and gross margin as a percentage of revenue are shown to provide additional information regarding the Company's ability to manage its cost structure and to provide further comparability relative to the Company's peers. Contracting gross margin is derived by deducting the direct costs of contracting from contracting revenue. The Company's calculation of gross margin may differ from those of other companies. See details in Results of Operations for further discussions of the changes in contracting revenue and gross margin.

Results of Operations (Discussion of significant matters is presented below):
Hudson Americas (reported currency)
Revenue

$ in millions	Year Ended December 31, 2016 As reported	2015 As reported	Change in amount	Change in %	2014 As reported	Change in amount	Change in %
Hudson Americas							
Revenue	$15.6	$ 28.6	$(13.1)	(45.6)%	$ 50.1	$(21.5)	(42.9)%

For the year ended December 31, 2016, contracting revenue decreased $14.1 million, or 90.6%, partially offset by an increase in permanent recruitment revenue of $1.0 million, or 7.9%, as compared to 2015. The decline in contracting revenue was directly attributable to the divestiture of the Company's US IT business in June 2015. The increase in permanent recruitment revenue was a result of growth in RPO, as compared to 2015.

For the year ended December 31, 2015, contracting revenue decreased $22.3 million, or 58.8%, partially offset by an increase in permanent recruitment revenue of $0.8 million, or 6.2%, as compared to 2014. The change in revenue was attributable to the same factors as described above.

Gross margin

$ in millions	Year Ended December 31, 2016 As reported	2015 As reported	Change in amount	Change in %	2014 As reported	Change in amount	Change in %
Hudson Americas							
Gross margin	$13.6	$16.1	$(2.5)	(15.5)%	$20.8	$(4.6)	(22.4)%
Gross margin as a percentage of revenue	87.5 %	56.3 %	N/A	N/A	41.4 %	N/A	N/A
Contracting gross margin as a percentage of contracting revenue	15.2 %	23.0 %	N/A	N/A	23.1 %	N/A	N/A

For the year ended December 31, 2016, contracting gross margin decreased $3.4 million, or 93.8%, partially offset by an increase in permanent recruitment gross margin of $0.8 million, or 6.6%, as compared to 2015. The changes in gross margin were attributable to the same factors as described above for revenue. Contracting gross margin, as a percentage of revenue, was 15.2% for the year ended December 31, 2016, as compared to 23.0% for 2015. Total gross margin, as a percentage of revenue, increased to 87.5% for 2016, as compared to 56.3% for 2015, and such increase was attributable to the same factors as described above for revenue.

For the year ended December 31, 2015, contracting gross margin decreased $5.2 million, or 58.9%, partially offset by an increase in permanent recruitment gross margin of $0.5 million, or 4.5%, as compared to 2014. The changes in gross margin were attributable to the same factors as described above for revenue. Contracting gross margin, as a percentage of revenue, was 23.0% for the year ended December 31, 2015, as compared to 23.1% for 2014. Total gross margin, as a percentage of revenue, increased to 56.3% for 2015, as compared to 41.4% for 2014, the change was attributable to the same factors as described above for revenue.

Selling, general and administrative expenses and non-operating income (expense) ("SG&A and Non-Op")

$ in millions	Year Ended December 31, 2016 As reported	2015 As reported	Change in amount	Change in %	2014 As reported	Change in amount	Change in %
Hudson Americas							
SG&A and Non-Op	$12.9	$17.6	$(4.7)	(26.9)%	$20.6	$(3.0)	(14.5)%
SG&A and Non-Op as a percentage of revenue	82.7 %	61.4 %	N/A	N/A	41.0 %	N/A	N/A

For the year ended December 31, 2016, SG&A and Non-Op decreased $4.7 million, or 26.9%, as compared to 2015 due to lower sales and administrative costs as a result of the prior year divestiture of the US IT business. The decline was also driven by the change in control stock-based compensation expense of $0.4 million recorded in June 2015.

For the year ended December 31, 2015, SG&A and Non-Op decreased as compared to 2014 due to lower support costs and allocated corporate expenses as a result of the Legal eDiscovery and US IT business divestitures. The decline was partially offset by a proportion of stranded administrative expenses being allocated to the discontinued Legal eDiscovery business in 2014 and change in control stock-based compensation expenses of $0.4 million for the year ended December 31, 2015.

Business reorganization

For the year ended December 31, 2016, business reorganization was $0.0 million, as compared to $1.1 million and $0.1 million for 2015 and 2014, respectively. Business reorganization incurred in 2015 were primarily related to severance for support personnel associated with the sale of the US IT business, lease exit and contract cancellation costs.

Operating Income and EBITDA

$ in millions	Year Ended December 31, 2016 As reported	2015 As reported	Change in amount	Change in %	2014 As reported	Change in amount	Change in %
Hudson Americas							
Operating income (loss):	$1.1	$12.9	$(11.8)	(91.5)%	$0.9	$12.1	(a)
EBITDA (loss)	$0.8	$13.4	$(12.6)	(94.0)%	$0.1	$13.2	(a)
EBITDA as a percentage of revenue	4.9 %	46.6 %	N/A	N/A	0.2 %	N/A	N/A

(a) Information was not provided because the Company did not consider the change in percentage as a meaningful measure for the years in comparison.

For the year ended December 31, 2016, EBITDA was $0.8 million, or 4.9% of revenue, as compared to EBITDA of $13.4 million, or 46.6% of revenue, for 2015. The decrease in EBITDA was primarily due to the prior year gain on sale of the US IT business of $15.9 million, partially offset by a decrease in business reorganization, as compared to 2015. Operating income was $1.1 million for the year ended December 31, 2016, as compared to $12.9 million for 2015.

For the year ended December 31, 2015, EBITDA was $13.4 million, or 46.6% of revenue, as compared to EBITDA of $0.1 million, or 0.2% of revenue, for 2014. The increase in EBITDA was primarily due to the gain on sale of the US IT business of $15.9 million, partially offset by an increase in business reorganization, as compared to 2014. Operating income was $12.9 million for the year ended December 31, 2015, as compared to $0.9 million for 2014.

The difference between operating income (loss) and EBITDA (loss) for the years ended December 31, 2016, 2015 and 2014 was primarily due to corporate management fees and depreciation.

Hudson Asia Pacific (constant currency)

Revenue

Year Ended December 31,

$ in millions	2016 As reported	2015 Constant currency	Change in amount	Change in %	2014 Constant currency	Change in amount	Change in %
Hudson Asia Pacific							
Revenue	$236.8	$ 217.2	$ 19.7	9.1 %	$ 207.5	$ 9.7	4.7 %

For the year ended December 31, 2016, contracting revenue increased $27.0 million, or 19.1%, partially offset by a decrease in permanent recruitment and talent management revenue of $5.9 million and $1.5 million or 9.7% and 10.6%, respectively, as compared to 2015.

In Australia, for the year ended December 31, 2016, revenue increased $23.4 million, or 14.8%, as compared to 2015. Contracting revenue increased $23.5 million, or 19.6%, for the year ended December 31, 2016, as compared to 2015. The increase in contracting revenue was in the Company's information technology and public sector practice groups.

In Asia, revenue decreased $7.5 million, or 22.5%, for the year ended December 31, 2016, as compared to the same period in 2015. The decrease in Asia was primarily in China, as a result of weaker market conditions, leadership changes and employee turnover.

For the year ended December 31, 2015, contracting revenue, permanent recruitment revenue and talent management revenue increased $0.4 million, $9.0 million and $0.5 million, or 0.3%, 17.3% and 3.4%, respectively, as compared to 2014.

In Australia, revenue increased $6.0 million, or 3.9%, for the year ended December 31, 2015, as compared to 2014. The increases were primarily in permanent recruitment and contracting revenue increasing $3.1 million and $2.8 million, or 13.2% and 2.4%, as compared to 2014.

In Asia, revenue increased $5.1 million, or 17.8%, for the year ended December 31, 2015, as compared to 2014. The increase in Asia was primarily in China.

Gross margin

	Year Ended December 31,						
$ in millions	2016 As reported	2015 Constant currency	Change in amount	Change in %	2014 Constant currency	Change in amount	Change in %
Hudson Asia Pacific							
Gross margin	$84.1	$88.1	$ (4.0)	(4.6)%	$79.9	$ 8.2	10.3 %
Gross margin as a percentage of revenue	35.5 %	40.6 %	N/A	N/A	38.5 %	N/A	N/A
Contracting gross margin as a percentage of contracting revenue	11.9 %	12.6 %	N/A	N/A	12.6 %	N/A	N/A

For the year ended December 31, 2016, permanent recruitment gross margin decreased $5.7 million, or 9.4%, partially offset by an increase in contracting gross margin of $2.2 million or 12.4%, as compared to 2015.

In Australia, gross margin increased $2.8 million, or 5.7%, for the year ended December 31, 2016, as compared to the same period in 2015. The increase was primarily in permanent recruitment and contracting, which increased $1.6 million and $1.9 million, or 6.2% and 12.6%, respectively, for the year ended December 31, 2016, as compared to 2015. The increase was partially offset by a decline in talent management gross margin of $0.4 million, or 5.7%, for the year ended December 31, 2016, as compared to 2015.

In Asia, gross margin declined $7.9 million, or 24.7%, for the year ended December 31, 2016, as compared to 2015. The decrease in Asia was primarily in China.

Gross margin as a percentage of revenue, for the year ended December 31, 2016 was 35.5%, as compared to 40.6% for 2015. The decrease in total gross margin as a percentage of revenue for the year ended December 31, 2016 resulted from a decline in the permanent recruitment gross margin as a percentage of total gross margin, as compared to 2015. Contracting gross margin, as a percentage of revenue, was 11.9% for the year ended December 31, 2016, as compared to 12.6%, for 2015 due to the growth in gross margin with large public sector clients in Australia and New Zealand, where the gross margin percentage is lower than the rest of the contracting business.

For the year ended December 31, 2015, permanent recruitment and contracting gross margins increased $8.5 million and $0.1 million, or 16.4% and 0.4%, respectively, as compared to 2014.

In Australia, gross margin increased $2.7 million, or 5.8%, for the year ended December 31, 2015, as compared to 2014. The increase was primarily in permanent recruitment and contracting increasing $2.6 million and $0.6 million, or 11.3% and 3.9%, respectively, for the year ended December 31, 2015, as compared to 2014. The increase was partially offset by a decline in talent management gross margin of 0.8 million, or 9.5%, for the year ended December 31, 2015, as compared to 2014.

In Asia, gross margin increased 5.8 million, or 21.9%, for the year ended December 31, 2015, as compared to the same period in 2014. The increase in Asia was primarily in China.

Gross margin as a percentage of revenue, for the year ended December 31, 2015, was 40.6%, as compared to 38.5% for, 2014. The increase in gross margin, as a percentage of revenue, resulted from an increase in higher margin permanent recruitment revenue. Contracting gross margin, as a percentage of revenue, remained relatively flat at 12.6%, as compared to 2014.

SG&A and Non-Op

$ in millions	Year Ended December 31, 2016 As reported	2015 Constant currency	Change in amount	Change in %	2014 Constant currency	Change in amount	Change in %
Hudson Asia Pacific							
SG&A and Non-Op	$84.0	$84.0	$ —	— %	$79.3	$ 4.6	5.8 %
SG&A and Non-Op as a percentage of revenue	35.4 %	38.7 %	N/A	N/A	38.2 %	N/A	N/A

For the year ended December 31, 2016, SG&A and Non-Op remained relatively flat as compared to 2015. SG&A and Non-Op, as a percentage of revenue, was 35.4% for 2016, as compared to 38.7% for 2015.

For the year ended December 31, 2015, SG&A and Non-Op increased $4.6 million, or 5.8%, as compared to 2014. The increase was primarily due to higher headcount as a result of investment in additional fee earners in the region, higher variable bonus and commissions on gross margin and change in control stock-based compensation of $0.6 million, as compared to 2014. The increase was partially offset by savings associated with reorganization actions initiated in 2014.

SG&A and Non-Op, as a percentage of revenue remained relatively flat, at 38.7% for 2015, as compared to 38.2% for 2014.

Business reorganization

For the year ended December 31, 2016, business reorganization was $0.2 million, as compared to $0.7 million for 2015 and $1.1 million for 2014. Business reorganization incurred in the current year was primarily for employee termination benefits. Business reorganization incurred in 2015 was primarily for lease termination payments in

Australia and New Zealand. Business reorganization incurred in 2014 was related to a change-in-estimate for office space optimization in Australia and employee termination costs for integration of back-office support functions in Asia.

Operating Income and EBITDA

$ in millions	Year Ended December 31, 2016 As reported	2015 Constant currency	Change in amount	Change in %	2014 Constant currency	Change in amount	Change in %
Hudson Asia Pacific							
Operating income (loss):	$0.5	$ 3.7	$ (3.2)	(86.5)%	$(2.7)	$ 6.3	(a)
EBITDA (loss)	$(0.3)	$ 3.0	$ (3.3)	(a)	$(0.9)	$ 3.9	(a)
EBITDA as a percentage of revenue	(0.1)%	1.4 %	N/A	N/A	(0.5)%	N/A	N/A

(a) Information was not provided because the Company did not consider the change in percentage as a meaningful measure for the years in comparison.

For the year ended December 31, 2016, EBITDA loss was $0.3 million, or 0.1% of revenue, as compared to EBITDA of $3.0 million, or 1.4% of revenue, for 2015. The decrease in EBITDA for the year ended December 31, 2016 was principally due to a decrease in gross margin. Operating income for the year ended December 31, 2016 was $0.5 million, as compared to operating income of $3.7 million, for 2015.

For the year ended December 31, 2015, EBITDA was $3.0 million, or 1.4% of revenue, as compared to EBITDA loss of $0.9 million, or 0.5% of revenue, for 2014. The increase in EBITDA for the year ended December 31, 2015 was principally due to higher gross margin, partially offset by an increase in SG&A and Non-Op expense. Operating income for the year ended December 31, 2015 was $3.7 million, as compared to operating loss of $2.7 million, for 2014.

The difference between operating income (loss) and EBITDA (loss) for the years ended December 31, 2016, 2015 and 2014 was principally due to corporate management fees and depreciation.

Hudson Europe (constant currency)

Revenue

$ in millions	Year Ended December 31, 2016 As reported	2015 Constant currency	Change in amount	Change in %	2014 Constant currency	Change in amount	Change in %
Hudson Europe							
Revenue	$170.3	$ 197.6	$(27.3)	(13.8)%	$ 234.7	$(37.1)	(15.8)%

For the year ended December 31, 2016, contracting revenue decreased $31.6 million or 23.9%, as compared to 2015, partially offset by an increases in permanent recruitment and talent management revenue of $2.3 million and $1.8 million, or 5.7% and 7.6%, respectively. The decrease was driven by the sale of the Netherlands business in May 2015 and the decline in the U.K. business, partially offset by improvements in Continental Europe. Total revenue in the Netherlands for the year ended December 31, 2016 decreased $12.7 million, or 100.0%, as compared to 2015.

In the U.K., for the year ended December 31, 2016, revenue decreased $21.1 million, or 15.3%, to $116.5 million, from $137.6 million in 2015. The decrease in the U.K. was driven by a decline in contracting revenue of $20.7 million, or 17.8%, as compared to 2015, primarily a result of reduced demand and pricing pressure from large financial services contracting clients.

In Continental Europe, for the year ended December 31, 2016, total revenue was $53.8 million, as compared to $60.1 million for the same period in 2015, a decrease of $6.2 million, or 10.4%. The decline was a result of the prior year divestitures, lowering revenue for the year ended December 31, 2016 by $13.1 million, as compared to the same period in 2015. Excluding the decline from prior year divestitures, revenue in Continental Europe increased by $6.9

million, or 14.7%, for the year ended December 31, 2016, as compared to 2015.

For the year ended December 31, 2015, contracting revenue and permanent recruitment revenue decreased $32.7 million and $4.3 million, or 19.8% and 9.6%, respectively, as compared to 2014, partially offset by an increase in talent management revenue of $0.4 million or 1.7%, as compared to 2014. The sale of the Netherlands business during 2015 was the primary driver of the decline, as total revenue of the Netherlands for the year ended December 31, 2015 decreased $26.2 million, or 67.3%, as compared to 2014.

In the U.K., for the year ended December 31, 2015, revenue decreased $11.6 million, or 7.8%, to $137.6 million, from $149.2 million in 2014. The decrease in the U.K. was driven by declines in contracting and permanent recruitment revenue of $6.7 million and $4.9 million, or 5.4% and 20.1%, respectively, as compared to 2014. The declines were primarily a result of reduced demand from large financial services and public sector clients.

In Continental Europe, for the year ended December 31, 2015, total revenue was $60.1 million, as compared to $85.5 million in 2014, a decrease of $25.5 million, or 29.8%. As noted above, the prior year divestitures were the primary driver of the decline. Excluding the decline from the divestitures, revenue in Continental Europe, increased by $2.4 million, or 5.5%, for the year ended December 31, 2015, as compared to 2014.

Gross margin

$ in millions	Year Ended December 31, 2016 As reported	2015 Constant currency	Change in amount	Change in %	2014 Constant currency	Change in amount	Change in %
Hudson Europe							
Gross margin	$76.7	$77.4	$(0.7)	(0.9)%	$90.2	$(12.8)	(14.2)%
Gross margin as a percentage of revenue	45.0 %	39.1 %	N/A	N/A	38.4 %	N/A	N/A
Contracting gross margin as a percentage of contracting revenue	13.7 %	14.4 %	N/A	N/A	16.2 %	N/A	N/A

For the year ended December 31, 2016, contracting gross margin decreased $5.2 million, or 27.2% partially offset by increases in permanent recruitment and talent management gross margins of $2.5 million and $1.7 million, or 6.2% and 8.9%, respectively, as compared to 2015.

In the U.K., total gross margin for the year ended December 31, 2016, decreased $3.6 million or 10.1%, as compared to 2015. Contracting and permanent recruitment gross margin declined $3.0 million and $0.5 million, or 19.3% and 2.8%, respectively, for the year ended December 31, 2016, as compared to 2015.

In Continental Europe for the year ended December 31, 2016, total gross margin increased $2.9 million, or 7.1%, as compared to 2015. The divestitures in 2015 resulted in a decline in gross margin for the year ended December 31, 2016, of $3.0 million, as compared to 2015. Excluding the decline from prior year divestitures, for the year ended December 31, 2016, gross margin in Continental Europe increased $5.9 million, or 15.2%, as compared to 2015.

For the year ended December 31, 2016, gross margin as a percentage of revenue, was 45.0%, as compared to 39.1%, for 2015. The increase in gross margin, as a percentage of revenue resulted from an increase in the relative mix of higher margin permanent recruitment revenue. Contracting gross margin, as a percentage of revenue, was 13.7% as compared to 14.4%, for 2015.

For the year ended December 31, 2015