

MONSTER WORLDWIDE, INC.

Form 10-Q

May 07, 2015

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015

OR

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

FOR THE TRANSITION PERIOD FROM _____ to _____
COMMISSION FILE NUMBER 001-34209

MONSTER WORLDWIDE, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 13-3906555
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER
INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

135 Boston Post Road, Building 15, Weston, 02493
Massachusetts
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)
(978) 461-8000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 1, 2015
Common Stock	91,002,719

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PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MONSTER WORLDWIDE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share amounts)

(unaudited)

	Three months ended	
	March 31,	
	2015	2014
Revenue	\$183,693	\$198,149
Salaries and related	93,746	101,999
Office and general	46,042	55,207
Marketing and promotion	33,161	41,413
Restructuring and other special charges	20,222	—
Total operating expenses	193,171	198,619
Operating loss	(9,478	) (470
Gain on partial sale of equity method investment	8,849	—
Gain on deconsolidation of subsidiaries, net	—	11,828
Interest and other, net	(3,107	) (1,323
(Loss) income before income taxes and loss in equity interests	(3,736	) 10,035
(Benefit from) provision for income taxes	(13,145	) 6,663
Loss in equity interests, net	(220	) (133
Net income	9,189	3,239
Net income attributable to noncontrolling interest	1,019	1,174
Net income attributable to Monster Worldwide, Inc.	\$8,170	\$2,065
Basic earnings per share attributable to Monster Worldwide, Inc.	\$0.09	\$0.02
Diluted earnings per share attributable to Monster Worldwide, Inc.	\$0.09	\$0.02
Weighted average shares outstanding:		
Basic	89,137	91,102
Diluted	91,474	94,416
Net income	\$9,189	\$3,239
Other comprehensive income:		
Foreign currency translation adjustments, net	(9,104	) 3,496
Comprehensive income	85	6,735
Comprehensive income attributable to noncontrolling interest	1,270	347
Comprehensive (loss) income attributable to Monster Worldwide, Inc.	\$(1,185	) \$6,388
See accompanying notes.		

MONSTER WORLDWIDE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par values)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 110,230	\$ 94,297
Accounts receivable, net of allowance for doubtful accounts of \$3,135 and \$3,295, respectively	275,539	282,523
Prepaid and other	66,785	83,326
Total current assets	452,554	460,146
Goodwill	535,790	540,621
Property and equipment, net	117,203	119,729
Intangibles, net	29,802	30,503
Investment in unconsolidated affiliates	18,832	20,700
Other assets	49,284	45,452
Total assets	\$ 1,203,465	\$ 1,217,151
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, accrued expenses and other	\$ 160,821	\$ 159,027
Deferred revenue	303,535	300,724
Current portion of long-term debt	10,125	9,563
Total current liabilities	474,481	469,314
Long-term income taxes payable	37,550	54,636
Long-term debt, net, less current portion	200,055	201,821
Other long-term liabilities	18,125	16,635
Total liabilities	730,211	742,406
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value, authorized 800 shares; issued and outstanding: none	—	—
Common stock, \$.001 par value, authorized 1,500,000 shares; issued: 146,292 and 144,361 shares, respectively; outstanding: 89,867 and 87,936 shares, respectively	146	144
Class B common stock, \$.001 par value, authorized 39,000 shares; issued and outstanding: none	—	—
Additional paid-in capital	2,044,732	2,040,209
Accumulated deficit	(845,990)	) (854,160)
Accumulated other comprehensive (loss) income	(110)	) 9,245
Less: Treasury stock, at cost, 56,425 shares	(781,041)	) (774,940)
Total Monster Worldwide, Inc. stockholders' equity	417,737	420,498
Noncontrolling interest in subsidiary	55,517	54,247
Total stockholders' equity	473,254	474,745
Total liabilities and stockholders' equity	\$ 1,203,465	\$ 1,217,151
See accompanying notes.		

MONSTER WORLDWIDE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three months ended March 31,	
	2015	2014
Cash flows provided by operating activities:		
Net income	\$9,189	\$3,239
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,807	12,519
Provision for doubtful accounts	323	316
Stock-based compensation	4,465	8,173
Loss in equity interests, net	220	133
Non-cash restructuring charges	4,226	—
Deferred income taxes	3,933	3,893
Gain on deconsolidation of subsidiaries	—	(13,647)
Gain on partial sale of equity method investment	(8,849))
Amount reclassified from accumulated other comprehensive income	—	1,819
Excess income tax benefit from equity compensation plans	—	(130)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(255)	) 14,501
Prepaid and other	(4,298)	) (14,838)
Deferred revenue	9,946	(964)
Accounts payable, accrued liabilities and other	(3,948)	) 3,893
Total adjustments	17,570	15,668
Net cash provided by operating activities	26,759	18,907
Cash flows (used for) provided by investing activities:		
Capital expenditures	(7,945)	) (10,700)
Payments for acquisitions, net of cash acquired	—	(27,005)
Investment in Alma Career Oy	—	(6,516)
Cash funded to equity investee and other	976	(729)
Capitalized patent defense costs	(2,263))
Cash received from partial sale of equity method investment	9,128	—
Net cash used for investing activities	(104)	) (44,950)
Cash flows (used for) provided by financing activities:		
Payments on borrowings on credit facilities	(31,600))
Proceeds from borrowings on credit facilities	31,600	78,800
Payments on borrowings on term loan	(2,250)	) (1,875)
Fees paid on the issuance of debt	(997))
Repurchase of common stock	—	(39,653)
Tax withholdings related to net share settlements of restricted stock awards and units	(5,494)	) (1,427)
Excess income tax benefit from equity compensation plans	—	130
Net cash (used for) provided by financing activities	(8,741)	) 35,975
Effects of exchange rates on cash	(1,981)	) 118
Net increase in cash and cash equivalents	15,933	10,050
Cash and cash equivalents, beginning of period	94,297	88,581
Cash and cash equivalents, end of period	\$110,230	\$98,631
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$1,412	\$3,182

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Cash paid for interest	\$1,137	\$2,240
Non-cash activities:		
Net assets of entities contributed to Alma Career Oy	\$—	\$4,200
See accompanying notes.		

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MONSTER WORLDWIDE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

(unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Monster Worldwide, Inc. (together with its consolidated subsidiaries, the “Company”, “Monster”, “Monster Worldwide”, “we”, “our”, or “us”) has operations that consist of two reportable segments: Careers-North America and Careers-International. Revenue in the Company’s segments is primarily earned from the placement of job advertisements on the websites within the Monster network, access to the Monster network of online resume and social profile databases, recruitment media services and other career-related services. The Company’s segments provide online services to customers in a variety of industries throughout North America, Europe, and the Asia-Pacific region.

Prior to January 1, 2015, the Company reported a third reportable segment, Internet Advertising & Fees. Effective January 1, 2015, as a result of changes in Monster's internal management and reporting structure, operations of Internet Advertising & Fees are now included within the Careers-North America reportable segment. See Note 16 - Segment and Geographic Data.

In May 2014, Monster revealed its “All the Jobs, All the People” strategy to drive the business and enhance its competitive position. Monster’s new strategy focuses on adding massive scale to its business to expand its total addressable market and the value it can provide to customers through a variety of new products, technologies and business models to successfully connect more people with more jobs.

Basis of Presentation

The consolidated interim financial statements included herein are unaudited and have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading.

The consolidated interim financial statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries. Investments in which the Company does not have a controlling interest or is not the primary beneficiary, but has the ability to exert significant influence, are accounted for under the equity method of accounting. All inter-company accounts and transactions have been eliminated in consolidation. The noncontrolling interest in our South Korean subsidiary is recorded net of tax as Net income attributable to noncontrolling interest. These statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for fair presentation of the information contained herein. These consolidated interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The Company adheres to the same accounting policies in preparing interim financial statements. As permitted under U.S. GAAP, interim accounting for certain expenses, including income taxes, are based on full year assumptions. Such amounts are expensed in full in the year incurred. For interim financial reporting purposes, income taxes are recorded based upon estimated annual income tax rates.

We have reclassified certain amounts previously reported in our financial statements to conform to the current presentation. Unless noted otherwise, discussions in these notes pertain to our continuing operations.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, which supersedes the revenue recognition guidance in Accounting Standard Codification (“ASC”) 605, Revenue Recognition. The new guidance clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. This amended guidance is effective retrospectively for

reporting periods (interim and annual) beginning after December 15, 2016. We are currently assessing the potential impact of this ASU on our consolidated financial position and results of operations.

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In April 2015, the FASB issued ASU No. 2015-03, which revises the guidance in ASC 835, Interest, to require debt issuance costs be presented as a direct deduction from the corresponding debt liability, consistent with the presentation of debt discounts or premiums. The ASU does not affect the recognition and measurement of debt issuance costs. The guidance is to be applied retrospectively, and is effective for reporting periods (interim and annual) beginning after December 15, 2015, for public companies, and is considered a change in accounting principle. Early adoption is permitted. The implementation of this ASU is not expected to have a material impact on our consolidated financial position or results of operations.

3. EARNINGS PER SHARE ATTRIBUTABLE TO MONSTER WORLDWIDE, INC.

Basic earnings per share is calculated using the Company's weighted-average outstanding common shares. When the effects are dilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares, participating securities, and the dilutive effect of all other stock-based compensation awards as determined under the treasury stock method. Certain stock options and stock issuable under employee compensation plans were excluded from the computation of diluted earnings per share due to their anti-dilutive effect.

On October 22, 2014, the Company consummated an offering of its 3.50% convertible senior notes due 2019 (the "Notes"). Under the treasury stock method, the Notes will generally have a dilutive impact on earnings per share if the Company's average stock price for the period exceeds approximately \$5.33 per share of Monster's common stock, the conversion price of the Notes.

In connection with the pricing of the Notes, Monster entered into a capped call transaction which increases the effective conversion price of the Notes, and is designed to reduce potential dilution upon conversion of the Notes. Since the beneficial impact of the capped call is anti-dilutive, it is excluded from the calculation of earnings per share. See Note 14 - Long-Term Debt for additional details.

A reconciliation of shares used in calculating basic and diluted earnings per share is as follows (shares in thousands):

	Three months ended March 31,	
	2015	2014
Basic weighted-average shares outstanding	89,137	91,102
Impact of stock options and non-vested stock under employee compensation plans	1,585	3,314
Impact of 3.50% convertible senior notes due 2019	752	—
Diluted weighted-average shares outstanding	91,474	94,416
Weighted-average anti-dilutive common stock equivalents - stock options and non-vested stock under employee compensation plans	1,679	3,526
Share Repurchase Plan		

On April 30, 2013, the Board of Directors of the Company authorized a share repurchase program of up to \$200,000 which expired on April 30, 2015. No share repurchases were made during the three months ended March 31, 2015. During the three months ended March 31, 2014, the Company repurchased 5,016,709 shares for a total of \$39,552, excluding commissions, at an average price of \$7.88 per share. Since the inception of this repurchase program, the Company repurchased 27,717,428 shares for a total of \$158,683, excluding commissions, at an average price of \$5.73 per share.

4. STOCK-BASED COMPENSATION

Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, which is generally the vesting period, net of estimated forfeitures.

The Company awards non-vested stock to employees, directors and executive officers in the form of Restricted Stock Awards ("RSAs") and Restricted Stock Units ("RSUs"), market-based RSAs and RSUs, performance-based RSAs and RSUs and stock options. The Compensation Committee of the Company's Board of Directors approves stock-based compensation awards for all employees and executive officers of the Company. The Corporate Governance and Nominating Committee of the Company's Board of Directors approves stock-based compensation awards for all non-employee directors of the Company. The Company uses the fair-market value of the Company's common stock on the date the award is approved to measure fair value for service-based and performance-based awards, a Monte Carlo simulation model to determine both the fair value and requisite service period of market-based awards and the

Black-Scholes option-pricing model to determine the fair value of stock option awards.

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The Company presents as a financing activity in the consolidated statement of cash flows the benefits of tax deductions in excess of the tax-effected compensation of the related stock-based awards for the options exercised and vested RSAs and RSUs.

Compensation expense for stock option awards and service-based awards is recognized ratably over the requisite service period. For market-based awards, compensation expense is recognized over the requisite service period as derived using a Monte Carlo simulation model. If an award includes both a market and performance or service condition, the requisite service period is adjusted in the event the market condition is satisfied prior to the end of the derived service period. For performance-based awards, compensation expense is recognized based on the probability of achieving the performance conditions associated with the respective shares, as determined by management. The Company recognized pre-tax compensation expense in the consolidated statements of operations related to stock-based compensation as follows:

	Three months ended March 31,	
	2015	2014
Non-vested stock, included in salaries and related	\$4,465	\$8,173

Market-Based Awards -During the first three months of 2015, the Company granted an aggregate of 350,000 market-based RSUs that will vest contingent on meeting certain stock price targets within three years of the grant date. The market-based RSUs vest in four tranches, with each tranche equaling 25% of the award, if, and when, certain stock price targets are achieved and maintained for 30 consecutive trading days, subject to the recipient's continued employment and service through the one year anniversary of the target stock price being achieved.

Performance-Based Awards -During the first three months of 2015, the Company granted 350,000 RSUs subject to certain specified performance-based conditions.

Service-Based Awards - There were no service-based stock awards granted during the first three months of 2015. The Company's non-vested stock activity is as follows (shares in thousands):

	Three months ended March 31,			
	2015		2014	
	Shares	Weighted Average Fair Value at Grant Date	Shares	Weighted Average Fair Value at Grant Date
Non-vested at beginning of period	8,554	\$4.85	13,142	\$5.58
Granted RSUs	700	\$3.71	25	\$6.27