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TMP WORLDWIDE INC  
Form 8-K  
April 11, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 31, 2003

TMP Worldwide Inc.  
(Exact name of issuer as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation)

0-21571  
(Commission File Number)

13-3906555  
(IRS Employer Identification No.)

622 Third Avenue  
New York, NY 10017  
(Address of Principal Executive Offices)

Registrant's telephone number, including area code (212) 351-7000

None.  
(Former address, if changed since last report.)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On March 31, 2003, TMP Worldwide Inc. ("TMP" or the "Registrant") completed the distribution of the common stock of its eResourcing and Executive Search business units, Hudson Highland Group, Inc. ("HH Group"), effective 11:59 p.m. The spin-off of HH Group was effected by way of a pro-rata dividend (the "Distribution") of the common stock of HH Group to holders of TMP common stock on March 31, 2003. In the Distribution, TMP's stockholders received one share of HH Group common stock for every 13 1/3 shares of TMP common stock owned. TMP's stockholders paid no consideration for the shares of HH Group that they received.

The Distribution is intended to enable each of TMP and HH Group to compete effectively without negatively affecting each other's businesses. HH Group is

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now an independent public company trading under the symbol "HHGP" on the Nasdaq National Market. TMP continues to operate its Monster, Advertising and Communications and Directional Marketing segments.

TMP's Chairman and CEO, Andrew J. McKelvey, by virtue of his stock ownership of TMP, owns in excess of 5% of HH Group's common stock. It is contemplated that for a transition period, generally not to exceed one year, TMP will provide certain facilities, information technology, insurance, administrative, legal, human resources, tax, accounting and other mutually agreed services to HH Group. HH Group will provide to TMP for a transition period, generally not expected to exceed one year, certain tax and information technology services in the Asia Pacific region and certain facilities, administrative, business license and accounting services in Europe, as well as other mutually agreed services. In addition, there will be certain other arrangements between TMP and HH Group in connection with the Distribution.

Further information concerning the Distribution and related matters is contained in HH Group's Registration Statement on Form 10, dated March 14, 2003, filed by HH Group with the Securities and Exchange Commission.

This report contains certain forward-looking statements and information relating to TMP that are based on the beliefs of management as well as assumptions made by and information currently available to management. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," or any similar expressions, as they relate to TMP or its management or the management of any of its businesses, are intended to identify forward-looking statements. Such statements reflect the current view of TMP with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended or planned. Reference is made in particular to the discussion set forth below in this report and set forth in TMP's Annual Report of Form 10-K for the year ended December 31, 2002, for a discussion of some of the risks, uncertainties and assumptions that could cause actual results to differ materially from those described in our forward-looking statements.

### ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

#### (a) Financial Statements of Businesses Acquired

None

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#### (b) Pro Forma Financial Information

The unaudited pro forma condensed consolidated financial information of TMP, included in Item 7(b) of this Report, is based on and should be read in conjunction with the audited consolidated financial statements and notes thereto appearing in TMP's Annual Report on Form 10-K for the year ended December 31, 2002. The accompanying unaudited pro forma condensed consolidated statements of operations for each of the three years in the period ended December 31, 2002 has been presented as if the Distribution had been completed as of January 1, 2000. The unaudited pro forma consolidated balance sheet has been presented as if the Distribution had been completed as of December 31, 2002.

In the opinion of management, the accompanying pro forma condensed consolidated financial information includes all material adjustments

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necessary to reflect, on a pro forma basis, the impact of the Distribution on the historical financial information of TMP. The adjustments are described in the notes to the unaudited pro forma condensed consolidated financial information and are set forth in the "Pro Forma Adjustments" column.

The unaudited pro forma condensed consolidated financial information has been presented for informational purposes only and does not reflect the results of operations or financial position of TMP that would have occurred had the Distribution been completed in the periods presented. Actual results might have differed. The unaudited pro forma condensed consolidated financial information should not be relied upon as being indicative of TMP results had the Distribution been completed as of the dates presented or of results subsequent to the Distribution.

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TMP WORLDWIDE INC.  
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET  
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	HISTORICAL DECEMBER 31, 2002	PRO ADJUS
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 191,556	\$ (
Accounts receivable, net	469,430	(1
Work-in-process	30,181	
Deferred tax assets	27,634	
Prepaid and other	89,745	(
Total current assets	808,546	(2
Property and equipment, net	157,788	(
Intangibles, net	588,641	(2
Other assets	14,770	
Deferred tax assets	61,050	(
	\$ 1,630,795	\$ (5
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 359,688	\$ (
Accrued expenses and other current liabilities	175,147	(
Accrued integration and restructuring costs	21,290	
Accrued business reorganization and other special charges	86,181	(
Due to HH Group	-	
Deferred commissions and fees	153,046	
Current portion of long-term debt	3,868	
Total current liabilities	799,220	(1

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Long-term debt, less current portion	3,925	
Other long-term liabilities	14,211	
	-----	-----
Total liabilities	817,356	(1)
	-----	-----
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: 107,475 and 106,181 shares, respectively; outstanding: 106,548 and 106,181, respectively	107	
Class B common stock, \$.001 par value, authorized 39,000 shares; issued and outstanding: 4,762 shares	5	
Additional paid-in capital	1,286,747	(3)
Accumulated other comprehensive income (loss)	14,402	(
Retained deficit	(477,980)	(
Treasury stock, at cost: 927 shares	(9,842)	
	-----	-----
Total stockholders' equity	813,439	(4)
	-----	-----
	\$ 1,630,795	\$ (5)
	=====	=====

See accompanying notes to unaudited pro forma consolidated financial information.

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TMP WORLDWIDE INC.  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL YEAR ENDED DECEMBER 31, 2002	PRO FORMA ADJUSTMENTS
	-----	-----
Commissions and fees	\$ 1,114,622	\$ (411,865)
Operating expenses:		
Salaries & related	639,385	(323,753)
Office & general	276,401	(117,310)
Marketing & promotion	139,123	(10,854)
Merger & integration	8,551	(5,373)
Business reorganization and other special charges	178,358	(73,543)
Amortization of intangibles	3,159	(754)
	-----	-----
Total operating expenses	1,244,977	(531,587)
Operating loss	(130,355)	119,722
Other income, net	336	546
	-----	-----
Loss from continuing operations before benefit for income		

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taxes, minority interests and accounting change	(130,019)	120,268
Benefit for income taxes	(21,281)	19,685
-----		
Loss from continuing operations before minority interests and accounting change	(108,738)	100,583
Minority interests	(2,216)	
-----		
Loss from continuing operations before accounting change	\$ (106,522)	\$ 100,583
=====		
BASIC AND DILUTED EARNINGS PER SHARE:		
Loss from continuing operations before accounting change	\$ (0.96)	
=====		
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic and diluted	111,339	
=====		

See accompanying notes to unaudited pro forma condensed consolidated financial information.

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TMP WORLDWIDE INC.  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL YEAR ENDED DECEMBER 31, 2001	PRO FORMA ADJUSTMENTS
-----		
Commissions and fees	\$ 1,448,057	\$ (571,537)
Operating expenses:		
Salaries & related	735,525	(397,102)
Office & general	304,082	(125,767)
Marketing & promotion	196,104	(19,371)
Merger & integration	72,480	(43,177)
Amortization of intangibles	26,434	(14,324)
-----		
Total operating expenses	1,334,625	(599,741)
Operating income	113,432	28,204
Other income, net	11,562	2,244
-----		
Income from continuing operations before provision for income taxes, minority interests and accounting change	124,994	30,448
Provision for income taxes	57,566	14,023
-----		
Income from continuing operations before minority interests		

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and accounting change	67,428	16,425
Minority interests	(1,592)	
	-----	-----
Income from continuing operations before accounting change	\$ 69,020	\$ 16,425
	=====	=====
BASIC EARNINGS PER SHARE:		
Income from continuing operations before accounting change	\$ 0.63	
	=====	
DILUTED EARNINGS PER SHARE:		
Income from continuing operations before accounting change	\$ 0.61	
	=====	
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	109,445	
	=====	
Diluted	113,426	
	=====	

See accompanying notes to unaudited pro forma condensed consolidated financial information.

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TMP WORLDWIDE INC.  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL YEAR ENDED DECEMBER 31, 2000	PRO FORMA ADJUSTMENTS
	-----	-----
Commissions and fees	\$ 1,407,526	\$ (655,161)
Operating expenses:		
Salaries & related	743,589	(437,782)
Office & general	322,453	(138,655)
Marketing & promotion	164,883	(19,357)
Merger & integration	64,604	(50,995)
Amortization of intangibles	19,743	(8,947)
	-----	-----
Total operating expenses	1,315,272	(655,736)
Operating income	92,254	575
Other income, net	16,417	6,740
	-----	-----
Income from continuing operations before provision for income taxes, minority interests and accounting change	108,671	7,315
Provision for income taxes	58,250	3,921
	-----	-----

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Income from continuing operations before minority interests and accounting change	50,421	3,394
Minority interests	(442)	
	-----	-----
Income from continuing operations before accounting change	\$ 50,863	\$ 3,394
	=====	=====
<b>BASIC EARNINGS PER SHARE:</b>		
Income from continuing operations before accounting change	\$ 0.48	
	=====	
<b>DILUTED EARNINGS PER SHARE:</b>		
Income from continuing operations before accounting change	\$ 0.46	
	=====	
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>		
Basic	104,884	
	=====	
Diluted	111,375	
	=====	

See accompanying notes to unaudited pro forma condensed consolidated financial information.

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### NOTES TO UNAUDITED PRO FORM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

See introduction to pro forma financial information on page 3. The pro forma unaudited consolidated balance sheet was prepared assuming the distribution occurred as of December 31, 2002 and included "Pro Forma Adjustments" as follows:

- (A) Represents the assets, liabilities and net equity of HH Group distributed to TMP stockholders. Included in these adjustments are \$10,000 Due to HH Group which represents obligations that TMP will pay for HH Group's accrued integration, restructuring and business reorganization liabilities (limited to \$2,500 per quarter, for one year following the Distribution).
- (B) To record the impairment of property and equipment, net of tax benefit of \$7,349, and deferred tax assets no longer realizable as a direct result of the Distribution.

The pro forma unaudited condensed consolidated statements of operations for each of the three years in the period ended December 31, 2002 has been presented as if the Distribution was completed as of January 1, 2000. These statements include "Pro Forma Adjustments" as follows:

- (C) To give retroactive effect to the Distribution of the HH Group businesses to the shareholders of TMP.
- (D) To record an estimated benefit for income taxes based on TMP's effective tax rate in each year. Pro-forma adjustments have been tax effected using TMP's effective rate, rather than a statutory rate, because permanent differences are considered to be consistent between TMP and HH Group.

In addition to the above pro forma adjustments, we will have the following

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one time and non-recurring adjustments, which are not reflected in the unaudited pro form condensed consolidated statements of operations, as a result of the Distribution:

- (1) We will record a loss on the write-off of property and equipment of \$16,200, net of income tax benefit of \$7,349, relating to certain assets that will no longer be utilized as a result of the Distribution.
- (2) Certain deferred tax assets in the amount of \$45,024, relating to the HH Group businesses, which are no longer realizable as a result of the Distribution, will be written down to fair value.
- (3) We will record a valuation allowance of \$2,000 on certain deferred tax assets to be retained by TMP. As a result of the Distribution, the realization of these deferred tax assets is uncertain.

(c) Exhibits.

2.1 Distribution Agreement, dated March 31, 2003, by and between TMP Worldwide Inc. and Hudson Highland Group, Inc.

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### Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 11, 2003

TMP Worldwide Inc.

By:

/s/ Michael Sileck

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Michael Sileck, Chief Financial Officer

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