Transcript of
Recruiter.com
Recruiter.com Second Quarter 2022 Financial Results Conference Call
August 15, 2022

Participants

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Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com
Judy Krandel - Chief Financial Officer, Recruiter.com
Miles Jennings - President and Chief Operating Officer, Recruiter.com

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to Recruiter.com's Second Quarter 2022 Financial Results Conference Call. At this time, all participants have been placed on a listen-only mode and the floor will be opened for questions and comments after the presentation. It is now my pleasure to turn the floor over to your host, Mr. Kirin Smith with PCG Advisory. Kirin, over to you.

Kirin Smith - PCG Advisory

Thank you, operator. Good afternoon. Welcome to Recruiter.com's Second Quarter Earnings Conference Call. As a reminder, this call is being recorded and all participants are in a listen-only mode. We will open the call for questions and answers following the presentation.

On the call today are Recruiter.com's Chairman and CEO, Evan Sohn; CFO, Judy Krandel; and President and COO, Miles Jennings. The Company would like to remind everyone that various remarks about future expectations, plans and prospects made on today's call constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995.

Recruiter.com cautions that these forward-looking statements are subject to risks and uncertainties that may cause its actual results to differ materially from those indicated, including risks described in the company's filings with the SEC.

Any forward-looking statements made on this conference call speak only as of today's date, Monday, August 15, 2022. Recruiter.com does not intend to update any of these forward-looking statements to reflect events or circumstances that occur after today. A replay of today's conference call will be available through the Investor Relations section of Recruiter.com's website at investors.recruiter.com.

With that, I'd like to turn the call over to Recruiter.com's Chairman and CEO, Evan Sohn, for opening comments. Please go ahead, Evan.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Thank you, Kirin and welcome, everyone, to the call today. I will start the call today with a few high-level comments and then hand it off to Judy to review the financials. Miles will then go into some more details on our core business operations and client composition. After that, we will open it up to questions from the audience.

For those new to the company, a brief overview of our company. Recruiter.com is reinventing the $120 billion talent acquisition industry with two key offerings: On-demand recruiting services, matching independent recruiters across all industry sectors and experience levels with customer needs; and our software platform, artificial intelligence software to proactively engage passive candidates and core communities to attract active candidates.

The old way of either paying a headhunter, 30% of the yearly salary or just finding the talent yourself has forever been changed. Paying ahead under fee of 30% made sense when the employee was planned to stay with the company for five years, but does not work so well when people stay at jobs for just six to 18 months.

Finding your own talent made sense when you're hiring one person every few months. But can you handle the workload of having to hire every four to five weeks? This is the new space that we're inventing, a combination of on-demand software and services to meet the demand of the new job economy.

I am very pleased with our performance this past quarter as we continue to execute against our 2022 objectives and plans and federal solved up to scale our business in 2023 and beyond.

In the second quarter, we delivered 62% year-over-year revenue growth and sequential quarterly growth of 3.5%. GAAP revenue was $7.11 million, which does not include about 200 -- about $323,000 in new deferred revenue. We have prioritized the most scalable and greatest potential components of our business which we consider software and on-demand services. We're very pleased that our strategy to transition the company to higher-margin products is unfolding as planned.

We saw our software platform grow year-over-year by 393% and grew sequentially quarter-over-quarter by 14%. Our on-demand services business grew year-over-year by 160% and grew quarter-over-quarter by 11%. We achieved that growth more efficiently than in any other quarter with adjusted gross margins of 41.2%. This margin improvement validates our plans to scale our most efficient product lines only as we shift technology-enabled solutions that require fewer operating resources.

We more than doubled our gross margins year-over-year, driven by increases in our Recruiters on Demand segment on our recruiting software product, which now collectively represents more than 80% of our business. We also achieved a 70% quarter-over-quarter improvement in adjusted EBITDA by controlling costs and improving margins.

We should note that we began capitalizing our product development in Q2 but even accounting for this, we had an 11% sequential improvement in adjusted EBITDA. In line with our plans, we discussed on the prior earnings call, we are projecting to cross the breakeven mark and achieve positive adjusted monthly EBITDA this year. Again, I'm very pleased with our performance this past quarter as we continue to execute against our 2022 objectives and plan. I cannot be prouder of the entire Recruiter.com team, which continues to push every aspect of our business forward.

Judy will now go through the numbers, and then Miles will go into some more specifics around how we are seeing the business develop. Judy, Please go ahead.

Judy Krandel - Chief Financial Officer, Recruiter.com

Thanks, Evan. GAAP revenue for the second quarter of 2022 totaled $7.11 million, excluding over $322,000 in new second quarter deferred revenue. A 62% increase compared to $4.38 million in revenue in the second quarter of 2021. This growth was primarily driven by the company achieving solid product market fit across multiple products and services and strong demand from our clients.

Gross profit for the second quarter of 2022 was $2.9 million and approximate 104% increase compared to $1.4 million in gross profit in the comparable period of 2021. The gross profit margin expanded to 41.2% compared to 32.8% a year ago. We achieved this gross margin expansion by prioritizing our higher margin, scalable and technology-focused products and services.

Total operating expenses were $5.3 million compared to $2.8 million for the second quarter of 2021, an increase of 89%. The increase was primarily due to higher sales and marketing, product development and general and administrative expenses as well as higher amortization of intangibles of $900,000 compared to $159,000 in the year ago period. We reduced our operating expenses from the first quarter to the second quarter by 22%.

Recruiter.com had a net loss of $1.19 million in the second quarter of 2022 compared to a net income of $3.5 million during the corresponding 3-month period in 2021. The net loss in the second quarter of 2022 includes noncash items of depreciation and amortization expense of $917,000, a bad debt reserve of $364,000 and an equity-based compensation expense of $669,000. This is an 11% improvement over the previous quarter.

In Q2, as Evan mentioned, we began to capitalize our product development in accordance with GAAP policies, and we plan to continue this as a best practice going forward.

During the second quarter, we invested and capitalized over $750,000 of our product development. Overall, we have incurred an adjusted EBITDA loss of about $398,000 for the quarter, which is a 70% improvement over the first quarter.

Turning to our cash management and cash plan. On June 30, 2022, Recruiter.com had $1.7 million in cash, cash equivalents and marketable securities and accounts receivable net of allowance for doubtful accounts of $4.2 million. As we announced last quarter, we are leveraging a $3 million factoring facility with Bay View Funding, a subsidiary of Heritage Bank.

Our second quarter cash burn saw an 11% improvement from the first quarter. We do have an additional operational goal to improve cash collections and reduced days sales outstanding from 79 to 50 days by year-end. There were approximately $14.9 million common shares outstanding at quarter end, and management and insiders own approximately 17% of these outstanding shares.

With that, I will turn it over to Miles to discuss our business operations. Miles?

Miles Jennings - President and Chief Operating Officer, Recruiter.com

Thank you, Judy. We had another strong quarter, and I'm pleased with the results of our operations. I'm really proud that we've grown two new product segments to account for the majority of our revenue. Our On-Demand recruiting services introduced in 2020, and our software platform just introduced last year in '21. Now already account for over 80% of our overall revenue. These two business segments saw strong sequential quarterly growth as well, with 14% of our software -- with 14% for our software platform and 11% growth for our On-Demand services.

I'm also very pleased that we improved our adjusted EBITDA loss by approximately 70% sequentially from Q1. Our improved EBITDA speaks to our ability to control the levers of our business and manage the changing business environment.

This improvement is directly a result of our continued shift to higher quality and higher-margin products that require fewer people and take advantage of our software investments.

We've also seen cost synergies and emanating from the multiple acquisitions that we made in 2021 as we have worked to fully integrate the teams and technologies into one cohesive solution offering for our employer and clients.

Taking a look at our sales for the quarter, we saw that both our small self-service clients increased their spend with us by 20% as well as our enterprise clients to increase their spend with us by about 30%. These increases speak to the success of our recruiting solution across a variety of clients. Our sales and client success teams continue to identify additional opportunities in white space with our new and existing clients as finding and hiring talent continues to be a challenge across the board.

We offer flexible solutions that scale to meet a broad variety of client needs. For example, though we have over 400 businesses self-serving on our platform and spending about $500 per month on average. We now also have five marquee clients spending in excess of $160,000 monthly across multiple advanced recruiting solutions.

You can see that we now offer value for small business and start-ups through to the largest enterprise customers. We continue to service a great variety of industries and sectors with key verticals in technology, healthcare and finance.

I'll now turn it back over to Evan.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Thank you, Miles. I often refer to Recruiter.com as a tech startup inside of a NASDAQ company. We are on a three-year mission. Last year, our goal is to align our products to best fit the needs of potential customers. We've demonstrated our ability to meet our customers' needs. We scaled our revenue, acquired businesses, invested in product development and created a repeatable sales process.

We started in 2021 with the objective of reaching $20 million in revenue, uplisting to NASDAQ and having a path towards profitability. In 2022, our objective is very clear and we know this is extremely important to our investors. This clear goal is to manage our growth towards achieving monthly positive EBITDA.

I am pleased to report that we are on track to achieve this objective as we reduced our operating -- our operating loss by 43% from Q1 through improved margins, realizing operating efficiencies on reducing certain cash and noncash expenses.

A little bit about how we as a team internally view our company. As I said before, we view ourselves as a tech start-up on NASDAQ. As you see in the chart on the left, our higher-margin software platform revenue has grown nearly 400% since the second quarter of '21. We have chosen to continue to invest in our intellectual property to ensure our ability to efficiently scale our revenue.

As reported earlier, we are now capitalizing our new product development, choosing to amortize our investment over three years. The result is an adjusted EBITDA loss in Q2 of approximately $398,000. We view the expenses associated with being a public company, a bit separately from our underlying operating results.

Being public does have its benefits, such as being able to leverage the public market. However, it does come with its financial burden. We have internally estimated our monthly average expenses associated with being a public company to be about $118,000 per month. This includes expenses like audit, legal, investor relations, director and officer insurance and other similar charges.

As you could see in the chart on the right, our gross profit is steadily climbing to meet our operating expenses. We have separated out public company expenses to simply demonstrate how we view our core operating results. It's clear that our next milestone to achieve is to cover and exceed our public company expenses by continuing to grow our sales and improve our gross margin.

It's exciting for me to see a startup company achieve this milestone slightly over a year after we uplisted to NASDAQ.

Again, I would like to express my gratitude to the entire Recruiter.com team for their efforts. My role as CEO began in June of 2020 at the height of the pandemic. We knew then that the pandemic, which forever changed the face of the job market.

Let's take a look at the trends affecting our business and how we are responding to them. As we predicted in December, the work from anywhere phenomenon is morphing into higher from anywhere as companies shift their hiring efforts to include a globally dispersed workforce. Approximately 10% of our current sales pipeline consist of opportunities that involve international on-demand recruiting. These opportunities include working with foreign companies seeking to find talent outside their country as well as U.S. companies seeking to hire outside the U.S.

We're seeing a resilient economic environment with certain pockets of strong demand. Healthcare continues to have a particularly strong hiring demand, and we have recently signed a couple of new healthcare clients combined with a new marquee client that we announced last earnings call, Healthcare now represents 19% of our revenue. Our healthcare pipeline is also solid as we see nearly 2x in our current book of business and potential new opportunities.

We are seeing enterprises focus their spend on proving tactics with good return on investment. And Miles reported earlier, our small and enterprise clients spent more of us in Q2 demonstrating both the strength of our solutions and the sheer amount of white space available at these clients. Our clients have ongoing high challenges, and we are capturing a greater portion of their total spend.

Regarding the macro environment, earlier this year, we prioritized focusing on achieving positive monthly EBITDA in 2022. We reduced our monthly operating expenses over 20% since the first quarter, while increasing our gross profit. Thus, doing more with less was already our mandate for 2022.

As reported in the monthly job support, high-end demand has remained strong, and there's still a healthy job market for the specialized talent that we specialize in. As reported last quarter, we remain focused on growth but balanced with our plan to achieve positive monthly EBITDA this year.

The pandemic has forever changed the world of talent. The old way of paying ahead under 30% of our salary or finding the town yourself are just not adequate for today's business client. The job hopper economy, where employees are comfortable switching jobs is faster than ever has created great opportunities for us.

Recruiter.com is reinventing how companies find talent in the post-pandemic world. We are keenly managing our growth with a clear focus on profitability, both are key to winning. We remain comfortable in our guidance for 2022, including achieving $30 million in top line revenue, and given our improved margins and operating expenses, we still expect to cross the breakeven mark for positive adjusted EBITDA before the end of the year.

I'd like to end by iterating how truly pleased we are with our performance this year, again for our 2022 goals and objectives. We capitalized on the acquisitions we made in 2021, drove them to further efficiency and continue to increase -- to invest in the growth areas of our business, primarily in our software platform.

Since June of 2020, we have consistently increased our gross margin by shifting our business from high revenue and low-margin staffing to higher revenue and higher margin software and on-demand services. We are committed in 2022 to achieving $30 million in top line revenue and positive monthly adjusted EBITDA.

On our way, we are committed to delivering best-in-class levels of both growth and profitability. We are convinced that the future of Talent acquisition is integrating software and on-demand services. This integrated experience is what customers want and what businesses will need to succeed going forward in the fight for global talent.

Thank you again for your time today and interest in Recruiter.com. Now let's open it up to any questions. Operator, please poll for questions.

Operator

Thank you very much. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Thank you. Your first question is coming from Morgan Frank from Manchester Management. Morgan, please ask your question.

Q: Hi, Evan. Good afternoon. Congrats on a good quarter. So I was looking at your chart of customers. And obviously, the funnel is, as one might expect, somewhat small company -- heavy. How does that progress? Like how do you bring those along? I guess I'm sort of interested in what the cultivation strategy is to make small customers into medium customers?

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Yes. Thanks, Morgan, and thanks for the question. And more importantly, thanks for noticing the improvement in their spend. While the bulk of our revenue is derived from the medium to large companies, we really have this growing segment of self-service clients. So these are clients include -- they actually include a number of Fortune 500 companies that are self-serving on our career communities very much the same way that they would post a job on ZipRecruiter or on LinkedIn.

So our next step really is to market our other services like our Recruiters On-Demand and our AI software to these self-service clients. There's a lot of white space available at our clients, and we're allocating resources to really attaching more services, especially to their self-service clients.

And we think there's a big opportunity for us or certainly a larger opportunity for us to take these smaller clients and moving down the funnel by attaching more services as we market to them.

Q: I mean have you found a particular way to engage that makes that work? Like what's the -- like what's the hook? How do you drive this?

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

So we started by doing some things around diversity. We have a diversity upgrade. We actually now if you actually go to our -- one of our core communities such as Mediabistro. You could see not only can you post a job, but you can actually purchase recruiters on demand, you could purchase Amplify, which is our software product specific to the career communities, you could divide it. You could purchase a diversity upgrade.

We're getting better. I'm just figuring out what is it going to be -- how we unlock those small clients because we think that there's a lot of white space available for those clients.

Q: Got it. Thanks, Evan.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Does that answer you, Morgan? You bet, thank you.

Q: Yes, it does. Thanks.

Operator

Thank you very much. Your next question is coming from Lisa Thompson, Zacks Investment Research. Lisa, please ask your questions.

Q: Hi, everyone. I have a few questions that are kind of small and then a big picture question. So first off, do you feel that you've reduced expenses as much as they're going to be reduced? Or do they grow from here?

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

All right. Why don't you ask all your questions, and then we'll double back on that. How's that? A question on operating expenses, continue.

Q: Right. And marketplace is doing particularly well. I was wondering was going on there that was so successful? And staffing was lower than I expected, and I wondered what to think about that going forward? And then big picture question is, we keep reading about hiring freezes and layoffs and the economy getting crazy quickly. I wondered if you could address that and give us comfort that it's your business model that's driving sales and not the economy as a whole?

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Sure, sure. Excellent. And thanks again, Lisa, for your continued support. So let's actually answer the first three together. We really chose to deprioritize our legacy revenue, which you would call the staffing revenue. The staffing revenue and we chose -- we made this choice. We talked about in the call to really deprioritize it. So while it was high in revenue, it ran very low gross margin, it was also pretty burdensome from an operating expense perspective.

And so by deprioritizing it, we obviously saw a greater decrease in those revenues. I think it went down by roughly 30% from Q1 to Q2. But more importantly, we got the higher revenue or higher margin business, the higher gross profit business to now be in excess of 80% of the company.

I think last year, when we were talking about software, we wanted the staffing revenue to be around 25%, and now it's even less than that, which is just really a big accomplishment for us, overall.

We've been able to reduce our operating expenses really through the improvement of our business, of our software. We're now using our software to help of the delivery of our recruiters on-demand services. So we're delivering -- we -- our goal really is to deliver a qualified recruiter with -- to 80% of our clients within 48 hours and we're using our software as part of that overall process.

So the better improvements we're seeing in our software, the more throughput we're getting on the rest of our business. And that's really what we prioritize. At the beginning of the year, we really prioritized listening to our investors and shareholders, really prioritizing positive adjusted EBITDA over growth and or sort of doing that in a more balanced perspective. And we've really been able to take our operating expenses down.

We also acquired five companies in 2021 and really use the beginning of the year to not just start investing in our overall software but really investing in consolidating some of the back office systems. Again, that really led to a lot of the operational efficiency that we're overall seeing.

So I think those answered like the first three questions kind of all in the first two. Market career communities, we've actually rolled out more career communities. We actually just had one -- we have someone that just started to focus on our recruiter career community, and we're seeing that growth.

Part of our strategy with career communities was really our philosophy or theory that as more and more people are going to move companies faster than ever before, they'd be looking to niche career communities to be part of. So it's not like I'm going to go get a financial analyst job, but hey, I want to be in a specific industry. I want to be in the media industry. I want to be in an ad tech industry.

Therefore, career communities are really what we believe in [indiscernible] and LinkedIn was talking about it probably about four or five months ago as really being the next level of job board. You don't just go to a free market where they have everything you can go to something specialized, you go to an auto show to find cars or a comic book market to find comic book as opposed to a big cover. And that's really why we're seeing improvement in our marketplace. The other is that's really becoming our self-service portal. So where clients are really self-servicing are really coming from the marketplace side, and we expect to see that grow over -- certainly into '23 and beyond.

And finally, the -- thanks for asking about the overall market trends or recession, whatever related to there. And I think that there are many economists who could speak more about the economic conditions than we can. We're fortunate that we're part of the conversation as I'm on CNBC, monthly discussing the recruiter index. We do a monthly recruiter index where we survey our recruiters. We publish those results, and we delivered those results on CNBC once a month.

And we're seeing the desire by many companies to simply make good decisions when it comes to hiring. I think earlier this year, it was over hire. We reported that on CNBC, over hire, a deal with the attrition level later. And now it seems to be more deeper hiring which makes better hiring choices.

I think another very interesting economic trend that we are watching closely and speaking with regularly with our clients is that of hiring outside one zone region. We're seeing U.S. companies leverage recruiters in Latin America or foreign companies looking for talent in the U.S., the U.S. companies looking for talent outside the U.S., we reported in this call about 10% of our pipeline being outside of the U.S. And I would think that, that would increase in 2023 as global talent becomes more of a norm.

And if you look at our partners, such as Oyster and Deel Oyster, we announced at our last earnings call, they're really leaders in this global employment platform space and they're pioneering this charge of global talent acquisition, and we're really just excited to ride on their investments in these areas as their partners in finding global talent. So I know it's a little bit of a long-winded -- long-winded answer, but yes you did ask four questions, please. So it's the least I could do.

Q: Great, thank you so much.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

You bet.

Operator

Thank you very much. Your next question is coming from Allen Klee from the Maxim Group. Allen, please ask your question.

Q: Hi, this is Derek on for Allen. My first question, I guess, it kind of relates to the Oyster partnership as well as Deel and Ray. So I was just wondering if you could perhaps offer a little more color on how those are progressing or when we should start to recognize new client wins from those? Or just anything you want to touch on that?

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Yes, excellent question. We announced Oyster last quarter, we announced Deel, I think, probably a quarter earlier. We've done -- we have weekly commercial alignment calls with them. We're working on joint opportunities with them. We have a nice pipeline of opportunities.

And when we talk about international expansion, I think a Lion's share of that expansion is really going to become not just from our marquee enterprise clients in the U.S. that are expanding overseas, but also from companies like Oyster and Deel that are bringing us opportunities on a regular basis.

We're not breaking out our revenue that way. But if you think about how we're generating opportunities, we're really generating opportunities organically through our own traffic as Recruiter.com and other things that we're doing on the SCO side, et cetera, to drive organic traffic. We do it through our sales team who are outbounding every day to interested parties as well as we just started doing some paid advertising and the fourth really is through partnerships.

So we have good expectations for these partnerships to deliver better results throughout the rest of the year and really as being really part of our international expansion.

Q: Okay. Great. Thank you. And then just going back to -- I have a couple more side. But going back to the cross-selling you were talking about earlier and just like higher spending from small clients. I was wondering if you had any metrics for the larger enterprise clients as I remember last call, I think you mentioned 27% of the top 100 clients use one or more service. I was just wondering if you had any like similar metrics to report this quarter?

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Yes, I don't -- I think it's the same number. I would have to confirm that. It probably wasn't a meaningful change, otherwise, you probably would have dug it up. We're always trying to look for interesting metrics that we can report on as we're evolving the company with you, our shareholders, as a startup on NASDAQ.

So it is multiple services. We are still seeing that, I think I'd be remiss if I didn't start to use terms like Sourcing as a Service. So for some of our larger clients, they're not interested in making investments in very expensive software. And they really like the fact that we're an on-demand service. So from their perspective, they're subscribing to a service that's delivering great results for them.

And so as a tech-enabled service, we're really delivering a real total solution for these larger multi-clients. And what our next step is, as I probably -- as I mentioned earlier, the first question, is really turning these more self-service throughout the rest of the year into '23 and really start to capitalize on the white space that's available at the customers that are simply using us for our core communities and really being able to evolve them the way we evolved our larger enterprises and our enterprise clients into significantly spending more with us. So thanks, Derek. Really appreciate your question.

Q: Yes. And then I just ask two last ones, both financial related. I'll make them quick. But I noticed on the balance sheet contingent consideration, I was wondering if that was paid out realized? And if so, if you could just remind us what the metrics were that were being targeted? And then how long side that, I saw there was a gain on for giving us a debt of $1.2 million. I was wondering just what that was related to? Thanks.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Excellent. Judy, Miles, do you want to cover those?

Miles Jennings - President and Chief Operating Officer, Recruiter.com

Yes, I can cover the gain that was from a consideration on the note for the Novo Group acquisition. There was a change in an amended contract that we filed in a post-close negotiation.

Judy Krandel - Chief Financial Officer, Recruiter.com

Yes, it was a reduction in the amount of debt that we owed it was a noncash transactional that will just mean reduced debt payments going forward. And I apologize, I didn't hear the first question fully.

Q: There's also like a contingent consideration. I think just on the balance sheet before, I see doesn't have a balance now. I was just wondering if like that was paid out and fully realized or if there's?

Judy Krandel - Chief Financial Officer, Recruiter.com

Yes, that was also through this negotiation that was eliminated.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

That's great, thanks guys. Thanks, Judy. Thanks, Derek.

Judy Krandel - Chief Financial Officer, Recruiter.com

Thanks.

Operator

Thanks very much. Your next question is coming from Leo Carpio from Joseph Gunnar. Leo, please ask your questions.

Q: Good afternoon gentlemen. Congratulations on your quarter. Just got a couple of quick questions, and myself will just fire them off and can answer them. My first question is regarding the market trends. You've talked about how your clients are shifting more to international. Can you comment on any particular industry vertical that you're seeing any weakness, perhaps tech or others and how you're pivoting and addressing for that?

And then secondly, regarding the debt extinguishment. What impact did that have on your EPS? And then on the capital expense capitalization, does that have like an EPS impact -- those are my questions.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Great. Why don't we -- thanks, Leo, I take the market trend question and then Judy, you can handle the financial one.

So clearly, there are some areas where you're just not going to be able to ship outside the U.S., our manufacturing clients, our consumer good clients, our logistic clients, our healthcare clients, for the most part, you really just can't shift that. We are seeing some nurses sort of telecommuting or telephonic nursing, you can do outside the U.S. But for the most part, healthcare is really being delivered inside the U.S.

So clearly, the biggest shift you're really seeing is really, I would say tech talent and then some financial services we're seeing also being shifted outside the U.S. Now a lot of this is really related to just the expense side of the talent. As these tech companies were hiring, they were driving wages increased. And so hiring a developer or a software engineer became very expensive. And so, hey, if I can't find it here in the U.S. at a price point, let me go shift it outside the U.S. And I think that still is a pretty significant trend that we're seeing.

The tech talent, when you think about a large tech company or a tech company that was a high servicing tech company that did a layoff, for the most part, their layoff is really a result of the overhiring that they had or the expected growth that they were going to have. So you're really looking at account managers, client specialists, the 18th financial analyst that they hired and less so on their core software engineering team, although there are obviously exceptions there.

So I think that's really a market trend that we're seeing. What we expect to have happen is -- or what we expect sometime in '23 and certainly supported by these Oyster deals and other companies that are these global employment platform companies is that this GI, let me want to set up a development team of my own in Argentina, right?

So what stopped you from doing that before was I couldn't find the talent. And if I found the talent, I don't know how to pay them. So our partnership with like a deal at an Oyster with Recruiter.com really delivers those results. I could both find the people, hire the people and pay the people.

Now in between there, you've seen this big growth in what we would call outsourced IT services. I can go get developers over in Africa or in Latin America. I can get developers in Canada. I can get developers in Albania, East of here. Where am I want -- there are companies now that are doing this outsourced development. They're leading this immediate need of I can't find talent. I think the next step is really more on the return on investment side and companies sort of saying I want to build my own team outside the U.S.

So that's probably, I think, what we're seeing in terms of the biggest trend. I'll tell you what's fascinating is if you look at the numbers, you'd expect GI could hire anywhere it must be increasing the overall unemployment because if I could hire people outside the U.S., that would affect the overall U.S. numbers, you're not really seeing that.

So you're seeing the talent shortage, certainly on knowledge workers and yet you're seeing the growth in terms of hiring outside the U.S. So it really is the number of people in the overall labor market that's decreased. I think obviously, the other segment that we're really seeing growth in logistics and truck drivers, logistics, obviously, hospitality, it's going to be very difficult, if I were to going to outsource that outside the U.S.

So I would break up those roles in terms of in-person roles, I think as more companies are thinking about hybrid, that's a way of saying, "Gee, we don't really want to shift workforce outside the U.S. But for every one of those, they're companies like Shopify that have gone completely virtual in terms of an overall company. Okay. And now I think you had a bunch of financial questions or two financial questions. Judy, do you want to answer those?

Judy Krandel - Chief Financial Officer, Recruiter.com

Just to address -- yes, Thanks, Evan. Just to address, I can't specifically state each item, the impact on earnings per share, but you can see approximately the gain on the debt extinguishment would have doubled our net loss, if it wasn't included and sort of you can round figures think with that due to EPS, again noncash issue.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Thank you.

Judy Krandel - Chief Financial Officer, Recruiter.com

More detail with our Controller step-by-step, if you like offline.

Q: Okay, we will follow offline. Thank you again.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Thank you. Thanks, Leo.

Operator

Thank you. Your next question is coming from Paul Tooney [ph] from Joseph Gunnar. Paul, over to you.

Q: Hey guys, how are you doing? Congratulations on a great quarter again.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Thank you, Paul.

Q: All right, just very briefly, just looking at last quarter compared to this quarter, one of the refreshing things was to see like the net cash actually go up quarter-over-quarter. And I don't know if I'm reading this right, but -- it looks like most of your loss was noncash expenses. Are you guys actually throwing on cash right now?

Judy Krandel - Chief Financial Officer, Recruiter.com

Yes, thanks. Yes, we are not throwing off cash at this point. You could look at our adjusted EBITDA loss, which will be a better indication. And do keep in mind that, that is after we did capitalize on software development costs. But it's moving in the right direction. And as we've all stated from management that is our complete focus that by the end of this year, we'll be at a monthly positive adjusted EBITDA run rate in the business. So we're moving in the right direction.

Q: So how do you explain the $900,000 in cash last quarter and $1.7 million?

Judy Krandel - Chief Financial Officer, Recruiter.com

Cash at any one point in time is a function of collections, of course, and a function -- so we have been working very hard at cash collections. As you see, we have a fairly large accounts receivable balance given the size of our business, we've put great effort. And as we said in the call, we expect to improve timing of cash collections. We've also leveraged an accounts receivable line from Bay View Financing and we did monetize some of our receivables upfront. So that benefited us as well.

Q: Okay, got it. Okay, thank you.

Judy Krandel - Chief Financial Officer, Recruiter.com

Thank you.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Thanks, Paul.

Operator

[Operator Instructions] Okay, we appear to have no further questions in the queue. I will now hand back over to management for any closing remarks.

Evan Sohn - Chairman and Chief Executive Officer, Recruiter.com

Thank you, operator. So in closing, CEOs and talent acquisition teams are being pushed to do more with less. They still need to hire both to keep up with the increased quick rates -- sorry about that, and to fuel their growth. The ideal way to achieve that goal is to get more out of every dollar by leveraging on-demand solutions.

Our mission at Recruiter.com has been to help companies large and small to just that. I want to thank you all for joining us on our second quarter earnings call, and have a great day.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.