

MONSTER WORLDWIDE INC
Form 10-K
February 16, 2006

[QuickLinks](#) -- Click here to rapidly navigate through this document

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 000-21571

MONSTER WORLDWIDE, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

13-3906555
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

622 Third Avenue, New York, New York 10017
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(212) 351-7000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, par value \$.001 per share

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined under Rule 405 of the Securities Act. Yes No

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

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 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.

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. (See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act). Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$3,133,721,175 as of the last business day of the registrant's second fiscal quarter.

The number of shares of common stock, \$.001 par value, outstanding as of February 8, 2006 was approximately 126,440,398.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be used in connection with its 2006 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

Special Note About Forward Looking Statements

We make forward-looking statements in this report and in other reports and proxy statements that we file with the SEC. In addition, our senior management might make forward-looking statements. Broadly speaking, forward-looking statements include:

projections of our revenues, income, earnings per share, capital expenditures, capital structure or other financial items;

descriptions of plans or objectives of our management for future operations, products or services, including pending acquisitions and/or dispositions;

forecasts of our future economic performance; and

descriptions of assumptions underlying or relating to the foregoing.

Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements often include words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would," or similar expressions. Do not unduly rely on forward-looking statements. They give our expectations and are not guarantees. Forward-looking statements speak as of only the date they are made, and we might not update them to reflect changes that occur after the date they are made.

There are many factors many beyond our control that could cause results to differ significantly from our expectations. Some of these factors are described in "Item 1A. Risk Factors" of this report.

ITEM 1. BUSINESS

Introduction

Founded in 1967, Monster Worldwide, Inc. is the parent company of Monster, the leading global online careers property. We also own TMP Worldwide, one of the world's largest recruitment advertising agency networks. Our clients range from Fortune 100 companies to small and medium-sized enterprises and government agencies.

We are headquartered in New York with approximately 4,800 employees globally. Our executive offices are located at 622 Third Avenue, New York, New York 10017. Our telephone number is (212) 351-7000 and our Internet address is www.monsterworldwide.com. We make all of our filings with the Securities and Exchange Commission ("SEC") available on our website, free of charge, under the caption "Investor Relations SEC Filings." Included in these filings are our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, which are available as soon as reasonably practical after we electronically file or furnish such materials with the SEC pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934.

Our Strategy

Monster Worldwide's long-term business strategy is designed to further our primary goal of capitalizing on the significant opportunity we perceive in the global online recruitment marketplace. Our strategy currently revolves around four central priorities that we believe are critical to our long-term success:

Focus on Monster. We believe that concentrating our resources and energy on online recruitment, and specifically focusing on the Monster brand and businesses, will best enable us to capitalize on the long-term opportunity and dynamic operating conditions within online recruitment. By streamlining our operating portfolio and increasing internal and external investments in online recruitment, we have simplified our strategy and operations. As a result, we believe that we have improved our ability to achieve higher long-term growth rates and the potential for greater profit margins.

Expand and execute internationally. The online recruitment opportunity is global in nature and as Internet penetration and eCommerce adoption progress overseas, we see attractive new market opportunities for Monster. We intend to participate in the international opportunity by projecting elements of our product, operating plan and strategy into overseas markets, and we will continue to examine opportunities to bolster our international profile, whether by acquisition or internal investment.

Lead locally. Recruitment advertising is predominantly a local business, and Monster seeks to establish brand recognition, seeker traffic and employer relationships on a local basis throughout our organization. In North America, we continue to pursue local leadership through targeted marketing efforts, localized websites and local sales efforts. Internationally, we tend to rely upon local management and customized market-specific sales and marketing strategies as well.

Leverage multiple sales channels. We are a sales-driven company, and we are committed to developing and extending an array of sales forces and selling approaches in order to best match customer needs and preferences. In the Enterprise portion of our business we focus on larger businesses, with larger sums available to spend, and we strive to add new products and services that will allow us to penetrate clients' human resources budgets more deeply. In the Small to Medium-Sized Businesses ("SMBs") portion of our business, we emphasize customer acquisition and seek to increase our coverage of the available customer base over time. Our self-service eCommerce sales channel allows advertisers to post jobs with greater flexibility and control, while also enabling us to better and more efficiently serve smaller customers with less frequent recruitment needs.

Our Services

We operate in two business segments: Monster and Advertising & Communications. For the year ended December 31, 2005, these segments represented approximately 83% and 17% of our revenue, respectively. During the year ended December 31, 2005, we disposed of our Directional Marketing business segment.

Monster

Monster, the leading global online career property and our flagship brand, connects companies with the most qualified career-minded individuals and offers innovative technology and superior services that give employers more control over the recruiting process. We have been able to capitalize on Monster's brand and create worldwide awareness by offering online recruiting solutions that we believe are redefining the way employers and job seekers connect. These tools, which include searchable job postings, a resume database, and career management content and advice, provide users with more control over the employment process. Monster's job search, resume posting services and basic networking are free to the job seeker. Monster also offers premium career services at a fee to job seekers. Employers and human resources professionals pay to post jobs, search Monster's resume database, and utilize career site hosting and applicant tracking systems and other ancillary services. In addition, Monster offers Internet advertising to a wide variety of businesses that seek to market their products and services through a broad and diverse network of online properties.

Since its launch in 1994, Monster has evolved from a job board to an online platform for managing many key events over the course of one's career path, and we have developed our Monster business with such key events in mind. For example, our Fastweb service is designed to assist secondary school students in their search for universities and scholarships. MonsterTRAK is used by over 2,800 colleges and universities to post entry-level jobs and internships for their enrolled students and alumni. Our Monster global network provides opportunities and advice for individuals seeking entry and mid-career level positions. In addition to its job search and resume posting capabilities, job-seekers obtain advice on interviewing skills, resume writing, salary and benefits information and networking opportunities.

Historically, Monster has targeted the enterprise market, or those businesses that we consider to be among the 1,500 largest organizations globally. More recently, we have concentrated our efforts on expanding Monster's reach to include government organizations and SMBs (those businesses with approximately 10 to 2,000 employees) that operate primarily in local and regional markets. We believe that SMBs comprise a largely untapped market of over 2 million businesses in the U.S. alone.

With our 2005 expansion into South Korea and China, through our 40% investment in ChinaHR, we now offer our unique online recruitment knowledge in 24 countries, serving a total population of over 3 billion people. Our international operations showed the most significant revenue growth in 2005, a trend that we expect to continue. We currently estimate that approximately 25% of spending for recruitment advertising in North America is in the online category, compared with 21% in our Asian markets and only 9% in our European markets. As a result of the lower market penetration rates in Europe, we began to focus more resources and advertising dollars there in 2005. We believe that our Monster product offerings and leadership position will allow us to develop this industry and expand online infiltration much further in the years ahead. Our Monster Employment Index, a measure of online job posting activity across a variety of online recruitment websites, supports our thesis that help-wanted advertising continues to migrate online. In 2005, the Index posted a 28% increase, tracking closely with U.S. payroll increases, compared to a relatively flat change in the Conference Board's Help Wanted index, which measures print-based help wanted ads.

Advertising & Communications

Our TMP Worldwide Advertising & Communications business specializes in designing global, national or local recruitment advertising campaigns for top tier Fortune 500 clients and government agencies. We entered the recruitment advertising business in 1993, when its main focus was on newspaper help-wanted advertising, and have since expanded this business through organic growth and acquisitions. Although a large portion of our Advertising & Communications division's revenue is still earned by placing help-wanted advertisements in traditional media such as newspapers, we have expanded our services to assist our clients in achieving their objective of positioning themselves as employers of choice, allowing them to attract and retain the most qualified candidates. Our Advertising & Communications division has also rapidly embraced web-based recruitment solutions and created a balanced portfolio of value added products and services. As a result, we are able to offer bundled recruitment strategies tailored to our clients' specific needs. In addition to recruitment advertising, such services and strategies include employee retention programs, creative design, website development, resume screening and media planning.

Sales and Marketing

We maintain separate sales and marketing staffs for our Monster and Advertising & Communications businesses. The sales force for our Monster business consists of Telesales and Field sales. Within these groups are specialty units dedicated to serving our vertical markets, such as enterprise, small-medium sized businesses, government, healthcare and staffing. Our Telesales staff is primarily responsible for telemarketing and customer service for small to medium sized clients and is located in our call centers in Indianapolis, Indiana, Maynard, Massachusetts, Tempe, Arizona, Amsterdam, the Netherlands, Frankfurt, Germany, Glasgow, Scotland and Marseilles, France. Our Field sales staff focuses on both local and national clients and is dispersed throughout our offices globally. In addition to the sales generated by our sales force, we have built self service functionality into our Monster websites, which we call our e-Commerce product. e-Commerce offers our clients much of the same functionality and flexibility as interfacing with a sales professional while allowing them to control their own candidate search. Our sales professionals often make follow-up calls to clients that use e-Commerce.

Our sales, marketing and customer service staffs are broadly divided into two groups: (i) new business generation and (ii) existing client relationship maintenance and improvement. In addition to

specializing by product, each group is both accountable for and compensated for cross-selling other products within our existing client base. Each sales force also designs targeted selling campaigns for potential clients.

We use sponsorships and broad based media, such as broadcast television, the Internet, radio, business, consumer and trade publications, to market and promote the Monster, Monster Worldwide and TMP Worldwide brands.

Customers

Our customers are comprised of individuals, small and medium-sized organizations, enterprise organizations, federal, state and local government agencies and educational institutions. No one client accounts for more than 5% of our total annual revenue.

Competition

The markets for our services and products are highly competitive and are characterized by pressure to reduce prices, incorporate new capabilities and technologies, and accelerate job completion schedules. We face competition from a number of sources. These sources include media companies (primarily newspaper publishers), other employment-related websites, Internet portals, national and regional advertising agencies and marketing communication firms. Many advertising agencies, media companies and newspaper publishers have internally developed or acquired new media capabilities such as online recruitment websites. New boutique businesses that provide integrated or specialized services (such as advertising services or website design) and are technologically proficient, especially in the new media arena, are also competing with us. Many of our competitors or potential competitors have long operating histories, and some have greater financial, management, technological, development, sales, marketing and other resources than we do. In addition, our ability to maintain our existing clients and generate new clients depends to a significant degree on the quality of our services, pricing and our reputation among our clients and potential clients.

Intellectual Property

Our success and ability to compete is dependent in part on the protection of our original content for the Internet and on the intangible value associated with our Internet uniform resource locators ("URLs"), domain names, trademarks, trade names, service marks, patent and other proprietary rights. We rely on copyright laws to protect the original content that we develop for the Internet. In addition, we rely on Federal and state trademark laws to provide additional protection for the identifying marks appearing on our Internet sites. A degree of uncertainty exists concerning the application and enforcement of copyright and trade dress laws to the Internet, and there can be no assurance that existing laws will provide adequate protection for our original content or the appearance of our Internet sites. In addition, because copyright laws do not prohibit independent development of similar content, there can be no assurance that copyright laws will provide any competitive advantage to us.

We also assert common law protection on certain names and marks that we have used in connection with our business activities.

We rely on trade secret and copyright laws to protect the proprietary technologies that we have developed to manage and improve our Internet sites and advertising services, but there can be no assurance that such laws will provide sufficient protection to us, that others will not develop technologies that are similar or superior to ours, or that third parties will not copy or otherwise obtain and use our technologies without authorization. We have obtained one patent and applied for several other patents with respect to certain of our software systems, methods and related technologies, but there can be no assurance that any pending applications will be granted or that any patents will not in the future be challenged, invalidated or circumvented, or that the rights granted thereunder will

provide us with a competitive advantage. In addition, we rely on certain technology licensed from third parties, and may be required to license additional technology in the future, for use in managing our Internet sites and providing related services to users and advertising customers. Our ability to generate fees from Internet commerce may also depend on data encryption and authentication technologies that we may be required to license from third parties. There can be no assurance that these third-party technology licenses will be available or will continue to be available to us on acceptable commercial terms or at all. The inability to enter into and maintain any of these technology licenses could significantly harm our business, financial condition and operating results.

Policing unauthorized use of our proprietary technology and other intellectual property rights could entail significant expense and could be difficult or impossible, particularly given the global nature of the Internet and the fact that the laws of other countries may afford us little or no effective protection of our intellectual property. In addition, there can be no assurance that third parties will not bring claims of patent, copyright or trademark infringement against us. We anticipate an increase in patent infringement claims involving Internet-related technologies as the number of products and competitors in this market grows and as related patents are issued. Further, there can be no assurance that third parties will not claim that we have misappropriated their trade secrets, creative ideas or formats or otherwise infringed their proprietary rights in connection with our Internet content or technology. Any claims of infringement, with or without merit, could be time consuming to defend, result in costly litigation, divert management attention, require us to enter into costly royalty or licensing arrangements or prevent us from using important technologies or methods, any of which could significantly harm our business, financial condition and operating results.

Government Regulation

As an advertising agency that creates and places print and Internet advertisements, we are subject to Sections 5 and 12 of the Federal Trade Commission Act (the "FTC Act"), which regulates advertising in all media, including the Internet, and require advertisers and advertising agencies to have substantiation for advertising claims before disseminating advertisements. The FTC Act prohibits the dissemination of false, deceptive, misleading, and unfair advertising, and grants the Federal Trade Commission ("FTC") enforcement powers to impose and seek civil penalties, consumer redress, injunctive relief and other remedies upon advertisers and advertising agencies that disseminate prohibited advertisements. Advertising agencies are subject to liability under the FTC Act if the agency actively participated in creating the advertisement, and knew or had reason to know that the advertising was false or deceptive.

In the event that any advertising created by us was found to be false, deceptive or misleading, the FTC Act could potentially subject us to liability. The fact that the FTC has brought several actions charging deceptive advertising via the Internet, and is actively seeking new cases involving advertising via the Internet, indicates that the FTC Act could pose a somewhat higher risk of liability to the advertising distributed via the Internet. The FTC has never brought any actions against us.

There can be no assurance that other current or new government laws and regulations, or the application of existing laws and regulations, will not subject us to significant liabilities, significantly dampen growth in Internet usage, prevent us from offering certain Internet content or services or otherwise significantly harm our business, financial condition or operating results.

Employees

At February 1, 2006, we employed approximately 4,800 people worldwide. Generally, our employees are not represented by a labor union or collective bargaining agreements except that our employees located in France, Italy and Spain are covered by collective bargaining agreements that are generally prescribed by local labor law. We regard the relationships with our employees as satisfactory.

Executive Officers and Directors

As of February 8, 2006, our executive officers and directors are as follows:

Name	Age	Position
Andrew J. McKelvey	71	Chairman of the Board, CEO and Director
William M. Pastore	57	President and Chief Operating Officer
Charles Baker	39	Senior Vice President and Chief Financial Officer
Paul M. Camara	58	Executive Vice President
John McLaughlin	50	Executive Vice President
Myron F. Olesnycky	44	Senior Vice President-General Counsel and Secretary
Brian Farrey	45	President, Monster Worldwide Technologies
Chris Power	42	Chief Financial Officer-Global Operations
Jonathan Trumbull	38	Global Controller and Chief Accounting Officer
Steven Pogorzelski	44	Group President-International
Bradford J. Baker	41	Global Chief Product & Marketing Officer
Douglas Klinger	41	President-Monster Division North America
George R. Eisele	69	Director
John Gaulding	60	Director
Michael Kaufman	60	Director
Ronald J. Kramer	47	Director
David A. Stein	67	Director
John Swann	69	Director

Andrew J. McKelvey founded the Company in 1967 and has served as Chairman of the Board and CEO since that time. Mr. McKelvey has a B.A. from Westminster College.

William M. Pastore joined the Company in October 2002 as Chief Operating Officer and became President and Chief Operating Officer in February 2006. Prior to joining the Company, Mr. Pastore was President of CIGNA HealthCare from January 1999 to October 2002 and Senior Vice President of CIGNA HealthCare from December 1995 to January 1999. Prior to joining CIGNA HealthCare, Mr. Pastore spent nearly 25 years at Citibank, N.A., in numerous senior operating roles. Mr. Pastore holds a B.S. and an M.B.A. from Long Island University.

Charles Baker joined the Company in March 2005 as Senior Vice President and Chief Financial Officer. From June 1993 to March 2005, Mr. Baker served in positions of increasing responsibility in the Equity Research department at Smith Barney, a division of Citigroup, Inc., serving as Managing Director from January 2000 to March 2005. Prior to joining Smith Barney, Mr. Baker spent two years as an Equity Research Analyst at Morgan Stanley & Co. and two years in research assistant positions at Donaldson, Lufkin & Jenrette. Mr. Baker holds a B.A. from Yale College.

Paul M. Camara joined the Company in February 1970. Mr. Camara was elected as a Vice President of the Company in 1978 and as a Senior Vice President in 1987. Mr. Camara served as Executive Vice President-Creative/Sales/Marketing from April 1996 to September 2005, when he was named to his current position. Mr. Camara holds a B.F.A. from the University of Massachusetts-Dartmouth.

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

John McLaughlin joined the Company in 1998 upon the acquisition of TASA Worldwide, where he was managing director of the New York office of TASA Worldwide and also served as Chairman of the Strategy Committee for the Board of Directors of TASA. From February 2002 through August 2002 he served as Group President, North America. From September 2002 to March 2003, Mr. McLaughlin served as Global Director, Search and Selection. Mr. McLaughlin was appointed to his current position in April 2003, and in December 2004 through September 2005 assumed the additional responsibility of overseeing the Company's business operations in the Asia-Pacific region.

Myron F. Olesnycky joined the Company in June 1994. From September 1986 through May 1994, Mr. Olesnycky was associated with Fulbright & Jaworski L.L.P. and predecessor firms. Mr. Olesnycky holds a B.S.F.S. from Georgetown University's School of Foreign Service and a J.D. from the University of Pennsylvania Law School.

Brian Farrey joined the Company in July 1999 as Chief Technology Officer of the Company's Monster division. He was appointed to his current position in March 2002. Prior to joining the Company, Mr. Farrey was Chief Operating Officer and Chief Technology Officer of Order Trust, an order processing company, from 1995 to July 1999. Mr. Farrey holds a B.A. from Rochester Institute of Technology and an M.S. from Worcester State College.

Chris Power joined the Company in April 2002 as Chief Financial Officer of the Monster North America division. He was promoted to the role of Chief Financial Officer for Monster Worldwide North America operations in February 2003 and was appointed to his current position in March 2005. Prior to joining the Company, Mr. Power spent fourteen years with Nortel Networks, primarily in finance and strategy roles. Mr. Power holds a B.A. and an M.B.A. from the University of Toronto.

Jonathan Trumbull joined the Company in October 2002 as Vice-President and Corporate Controller and was named to his current position in March 2005. From 1989 to October 2002, Mr. Trumbull was associated with Ernst & Young, most recently as Senior Manager from 1997 to October 2002. Mr. Trumbull holds a B.S. from Villanova University and is a Certified Public Accountant.

Steven Pogorzelski joined the Company in 1992 in the Advertising & Communications division, where he served from 1992 to December 1998. In December 1998 he joined the Monster division and served as Executive Vice President-Global Sales until April 2001. From April 2001 to September 2005, he served as President, Monster North America until which time he was named to his current position. Mr. Pogorzelski holds a B.A. from the University of Wisconsin.

Bradford J. Baker joined the Company in June 2001 and served as Senior Vice President, Consumer Marketing Programs from June 2001 to February 2002, Senior Vice President of Campus from March 2002 to December 2003, Senior Vice President of Product from January 2004 to July 2004, Senior Vice President of Product and Marketing from July 2004 to January 2005, Chief Product and Marketing Officer US from January 2005 to May 2005 and Global Chief Product & Marketing Officer from May 2005 to present. In June 1996, Mr. Baker co-founded Making It Count, which was acquired by Collegelink.com Incorporated in February 2000 and by the Company in June 2001. From October 1990 through June 1996, Mr. Baker served as Vice President and General Manager of Graphic Management, a printing communications and graphic arts company. From October 1988 to September 1990, he served as Brand Manager at Kraft Foods. From June 1986 to September 1988, he served as an Assistant Brand Manager at The Procter & Gamble Company. Mr. Baker holds a B.A. from Harvard University.

Douglas Klinger joined the Company in September 2005. From April 2004 to September 2005, Mr. Klinger was President of Bee Mountain LLC, a strategic consulting firm. From 1994 to April 2004, Mr. Klinger served in positions of increasing responsibility with CIGNA Corporation, serving as President of CIGNA Health Services from February 1997 to April 2004, as President & CEO of CIGNA Dental Health, Inc. during 1997 and as Senior Vice President of CIGNA Retirement &

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

Investment Services from 1994 to 1997. Prior to joining CIGNA Corporation, Mr. Klinger served in positions of increasing responsibility with PNC Bank Corp. from 1986 to 1994. Mr. Klinger holds a B.A. from Trinity College.

George R. Eisele has been a director of the Company since September 1987. Mr. Eisele was the Executive Vice President of TMP Direct, the Company's direct marketing business unit, from 1989 until May 2, 2005 when the business unit was sold to GECKO Inc., an entity owned 65% by Mr. Eisele. Following its sale by the Company, Mr. Eisele continues to head TMP Direct as its Chief Executive Officer. Mr. Eisele attended Fairleigh Dickinson University and Drexel University.

John Gaulding has been a director of the Company since June 2001 and also served as a director of the Company from January 1996 to October 1999. Mr. Gaulding is a private investor and business consultant in the fields of strategy and organization. He was Chairman and Chief Executive Officer of National Insurance Group, a publicly traded financial information services company, from April 1996 through July 11, 1996, the date of such company's sale. For six years prior thereto, he was President and Chief Executive Officer of ADP Claims Solutions Group. From 1985 to 1990, Mr. Gaulding was President and Chief Executive Officer of Pacific Bell Directory, the Yellow Pages publishing unit of Pacific Telesis Group. Mr. Gaulding served as Co-Chairman of the Yellow Pages Publishers Association from 1987 to 1990. Mr. Gaulding is a director of ANTs software inc., a developer of data management software, and Yellow Pages Group, a Canadian telephone directories publisher. He holds a B.S. from the University of California at Los Angeles and an M.B.A. from the University of Southern California.

Michael Kaufman has been a director of the Company since October 1997. Until July 1, 2000, Mr. Kaufman was the President of SBC/Prodigy Transition. Mr. Kaufman previously served as President and CEO of Pacific Bell's Consumer's Market Group. Prior thereto, Mr. Kaufman was the President and CEO of Pacific Bell Communications, a subsidiary of SBC Communications Inc., and from 1993 through April 1997 he was the regional president for the Central and West Texas market area of Southwestern Bell Telephone. Mr. Kaufman holds a B.A. and an M.B.A. from the University of Wisconsin.

Ronald J. Kramer has been a director of the Company since February 2000. Mr. Kramer has served as President and a director of Wynn Resorts, Limited, a developer, owner and operator of hotel and casino resorts, since April 2002. Mr. Kramer was previously a managing director of Dresdner Kleinwort Wasserstein (formerly Wasserstein Perella & Co., Inc.) from July 1999 to November 2001. Mr. Kramer is also a member of the board of trustees of Republic Property Trust, a real estate investment trust, and a director of Griffon Corporation, a diversified manufacturing company, and Lakes Entertainment, Inc., a developer and manager of casinos. Mr. Kramer holds a B.S. from the Wharton School of the University of Pennsylvania and an M.B.A. from New York University Graduate School of Business.

David A. Stein has been a director of the Company since June 2003. Mr. Stein was the Chairman and Chief Executive Officer of Southern Industrial Corporation, the Jacksonville, Florida-area Burger King franchisee of 33 Burger King restaurants until December 2004. Prior thereto, Mr. Stein was a Burger King franchisee for more than 40 years. He is Chairman of Jacksonville-based King Provision Corporation, an approved Burger King food and paper distributor, and Chairman of T.L. Cannon Corporation, a franchisee of Applebee's restaurants in New York and Connecticut. Mr. Stein was a founder of the Jewish Community Alliance in Jacksonville, Florida. He has also served the United Way, the Jacksonville Chamber of Commerce, University Medical Center, University of North Florida, WJCT Public Television and other Jacksonville-area organizations and clubs as an officer or Board member. Mr. Stein attended the University of Florida.

John Swann has been a director of the Company since September 1996. In 1995, Mr. Swann founded Cactus Digital Imaging Systems, Ltd., Canada's largest supplier of electronically produced large format color prints. Mr. Swann sold Cactus Digital Imaging Systems, Ltd. in June 2000.

ITEM 1A. RISK FACTORS

We rely on the value of our brands, particularly Monster, and the costs of maintaining and enhancing our brand awareness are increasing.

Our success depends on our brands and their value. Our business would be harmed if we were unable to adequately protect our brand names, particularly Monster. We believe that maintaining and expanding the Monster brand is an important aspect of our efforts to attract and expand our user and client base. We also believe that the importance of brand recognition will increase due to the growing number of Internet sites and the relatively low barriers to entry. We have spent considerable money and resources to date on the establishment and maintenance of the Monster brand. We may spend increasing amounts of money on, and devote greater resources to, advertising, marketing and other brand-building efforts to preserve and enhance consumer awareness of the Monster brand. Despite this, we may not be able to successfully maintain or enhance consumer awareness of the Monster brand and, even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance consumer awareness of the Monster brand in a cost-effective manner, our business, operating results and financial condition may be harmed significantly.

We are also susceptible to others imitating our products, particularly Monster, and infringing on our intellectual property rights. We may not be able to successfully protect our intellectual property rights, upon which we are dependent. In addition, the laws of foreign countries do not necessarily protect intellectual property rights to the same extent as the laws of the United States. Imitation of our products, particularly Monster, or infringement of our intellectual property rights could diminish the value of our brands or otherwise reduce our revenues.

Our operations have been and will be affected by future global economic fluctuations.

The general level of economic activity in the regions and industries in which we operate significantly affects demand for our services. When economic activity slows, many companies hire fewer employees. Therefore, if there is an economic downturn in the future, especially in regions or industries where our operations are heavily concentrated, our business, financial condition and operating results could be significantly harmed. Further, we may face increased pricing pressures during such periods. There can be no assurance that during these periods our results of operations will not be significantly harmed.

Our operating results fluctuate from quarter to quarter.

Our quarterly operating results have fluctuated in the past and may fluctuate in the future. These fluctuations are a result of a variety of factors, including, but not limited to:

the timing and amount of existing clients' subscription renewals;

entering new markets;

enhancements to existing services;

the hiring cycles of employers;

changes in general economic conditions, such as recessions, that could affect recruiting efforts generally and online recruiting efforts in particular;

the magnitude and timing of marketing initiatives;

the maintenance and development of our strategic relationships;

our ability to manage our anticipated growth and expansion;

our ability to attract and retain customers;

technical difficulties or system downtime affecting the Internet generally or the operation of our products and services specifically; and

the timing and integration of our acquisitions.

We face risks relating to developing technology, including the Internet.

The market for Internet products and services is characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging character of these products and services and their rapid evolution will require our continuous improvement in the performance, features and reliability of our Internet content, particularly in response to competitive offerings. We may not be successful in responding quickly, cost effectively and sufficiently to these developments. In addition, the widespread adoption of new Internet technologies or standards could require us to make substantial expenditures to modify or adapt our websites and services. This could harm our business, financial condition and operating results.

The online recruiting market continues to evolve. The adoption of online recruiting and job seeking services, particularly among those companies that have historically relied upon traditional recruiting methods, requires the acceptance of a new way of conducting business, exchanging information, advertising and applying for jobs. Many of our potential customers, particularly smaller companies, have little or no experience using the Internet as a recruiting tool, and only select segments of the job-seeking population have experience using the Internet to look for jobs. Companies may not continue to allocate portions of their budgets to Internet-based recruiting and job seekers may not use online job seeking methods. As a result, we may not be able to effectively compete with traditional recruiting and job seeking methods. If Internet-based recruiting does not remain widely accepted or if we are not able to anticipate changes in the online recruiting market, our business, financial condition and operating results could be significantly harmed.

New Internet services or enhancements that we have offered or may offer in the future may contain design flaws or other defects that could require expensive modifications or result in a loss of client confidence. Any disruption in Internet access or in the Internet generally could significantly harm our business, financial condition and operating results. Slower response times or system failures may also result from straining the capacity of our software, hardware or network infrastructure. To the extent that we do not effectively address any capacity constraints or system failures, our business, results of operations and financial condition could be significantly harmed.

Trends that could have a critical impact on our success include:

rapidly changing technology in online recruiting;

evolving industry standards relating to online recruiting;

developments and changes relating to the Internet;

evolving government regulations;

competing products and services that offer increased functionality; and

changes in employer and job seeker requirements.

We rely heavily on our information systems and if our access to this technology is impaired or interrupted, or we fail to further develop our technology, our business could be harmed.

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. Our inability to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or any interruption or loss of our information processing capabilities, for any reason, could harm our business, results of operations or financial condition.

Our markets are highly competitive.

The markets for our services are highly competitive. They are characterized by pressures to:

- reduce prices;
- incorporate new capabilities and technologies; and
- accelerate job completion schedules.

Furthermore, we face competition from a number of sources. These sources include:

- traditional media companies, including newspapers;
- Internet portals and other job-related websites;
- specialized and integrated marketing communication firms; and
- national and regional advertising agencies.

Many of our competitors or potential competitors have long operating histories, and some may have greater financial resources, management, technological development, sales, marketing and other resources than we do. In addition, our ability to maintain our existing clients and attract new clients depends to a large degree on the quality of our services and our reputation among our clients and potential clients.

Due to competition, we may experience reduced margins on our products and services, loss of market share or less use of Monster by job seekers 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 significantly harmed.

We have no significant proprietary technology that would preclude or inhibit competitors from entering the online advertising or recruitment advertising markets. Existing or future competitors may develop or offer services and products which provide significant performance, price, creative or other advantages over our services. This could significantly harm our business, financial condition and operating results.

We are vulnerable to intellectual property infringement claims brought against us by others and we may not have sufficient protection for our own intellectual property.

Successful intellectual property infringement claims against us could result in monetary liability or a material disruption in the conduct of our business. We cannot be certain that our products, content and brand names do not or will not infringe valid patents, copyrights or other intellectual property rights held by third parties. We expect that infringement claims in our markets will increase in number. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we were found to have infringed the intellectual property rights of a third party, we could be liable to that party for license fees, royalty payments, profits or damages, and the owner of the intellectual property might be able to prevent us from using the technology or software in the future. If the amounts of these payments were significant or we were prevented from incorporating certain technology or software into our products, our business could be significantly harmed.

We may incur substantial expenses in defending against these third party infringement claims, regardless of their merit. As a result, due to the diversion of management time, the expense required to defend against any claim and the potential liability associated with any lawsuit, any significant litigation could significantly harm our business, financial condition and results of operations.

If we are unable to protect our proprietary rights or maintain our rights to use key technologies of third parties, our business may be harmed.

A degree of uncertainty exists concerning the application and enforcement of copyright and trade dress laws to the Internet, and existing laws may not provide us adequate protection for our original content or the appearance of our Internet sites. In addition, because copyright laws do not prohibit independent development of similar content, copyright laws may not provide us with any competitive advantage. We have obtained one patent and applied for other patents with respect to certain of our software systems, methods and related technologies, but our pending applications may not be granted and any patents issued to us may in the future be challenged, invalidated or circumvented, and the rights granted thereunder may not provide us with a competitive advantage. Policing unauthorized use of our proprietary technology and other intellectual property rights could involve significant expense and could be difficult or impossible, particularly given the global nature of the Internet and the fact that the laws of certain other countries may afford us little or no effective protection of our intellectual property.

In addition, we rely on certain technology licensed from third parties, and may be required to license additional technology in the future for use in managing our Internet sites and providing related services to users and advertising customers. Our ability to generate fees from Internet commerce may also depend on data encryption and authentication technologies that we may be required to license from third parties. These third-party technology licenses may not continue to be available to us on acceptable commercial terms or at all. The inability to enter into and maintain any of these technology licenses could significantly harm our business, financial condition and operating results.

Computer viruses may cause our systems to incur delays or interruptions.

Computer viruses may cause our systems to incur delays or other service interruptions and could damage our reputation which in turn, could significantly harm our business, financial condition and operating results. The inadvertent transmission of computer viruses could expose us to a material risk of loss or litigation and possible liability. Our system's continuing and uninterrupted performance is critical to our success. Customers and job seekers may become dissatisfied by any system failure that interrupts our ability to provide our services to them, including failures affecting our ability to serve Web page requests without significant delay to the viewer. Sustained or repeated system failures would reduce the attractiveness of our solutions to customers and job seekers and result in reduced traffic or contract terminations, fee rebates and make goods, thereby reducing revenues. Moreover, if a computer virus affecting our system is highly publicized, our reputation could be significantly damaged and our visitor traffic may decrease.

Acquisitions could result in operating difficulties and unanticipated liabilities.

Historically, we have grown in part by making acquisitions. Acquisitions may result in dilutive issuances of equity securities, use of our cash resources, incurrence of debt and amortization of expenses related to intangible assets. Our acquisitions can be accompanied by a number of risks, including:

the difficulty of integrating the operations and personnel of our acquired companies into our operations;

the potential disruption of our ongoing business and distraction of management;

the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;

the impairment of relationships with customers and partners of the acquired companies or our customers and partners as a result of the integration of acquired operations;

the impairment of relationships with employees of the acquired companies or our employees as a result of integration of new management personnel;

the difficulty of integrating the acquired company's accounting, management information, human resources and other administrative systems;

in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences; and

the impact of known potential liabilities or unknown liabilities associated with the acquired companies.

Our failure to be successful in addressing these risks or other problems encountered in connection with our past or future acquisitions could cause us to fail to realize the anticipated benefits of our acquisitions, incur unanticipated liabilities and harm our business generally.

We have had and may face future difficulties managing growth.

Historically, our business grew rapidly, both internally and through acquisitions. This expansion resulted in substantial growth in the number of our employees, and put a significant strain on our management and operations. If our business grows rapidly again in the future, we expect it to result in increased responsibility for management personnel, and incremental strain on our operations, and financial and management systems. Our success under such conditions will depend to a significant extent on the ability of our executive officers and other members of senior management to operate effectively both independently and as a group. If we are not able to manage future growth, our business, financial condition and operating results may be harmed.

Our divested businesses have agreed to indemnify us of liabilities that are related to their operations. If one or more of those businesses fails to meet its obligations, our financial condition and results of operations may be harmed.

On March 31, 2003 we completed the spin-off of Hudson Highland Group, Inc. ("HH Group") to our stockholders and on June 1, 2005 we sold our Directional Marketing business. As a result of these divestitures, each business has agreed to indemnify us from certain liabilities related to their operations. If, for whatever reason, a claim is made for which we do not receive indemnification, our financial condition and results of operations could be significantly harmed.

We face risks relating to our foreign operations.

We conduct operations in 26 countries, including Australia, Belgium, Canada, China, France, Germany, India, Ireland, Italy, the Netherlands, Singapore, South Korea, Spain and the United Kingdom. Approximately 29%, 27% and 26%, of our total revenue was earned outside of the United States in the years ended December 31, 2005, 2004 and 2003, respectively. Such amounts are collected in the local currency. In addition, we generally pay operating expenses in the corresponding local currency. Therefore, we are at risk for exchange rate fluctuations between such local currencies and the United States dollar. We are also subject to taxation in foreign jurisdictions. In addition, transactions between our foreign subsidiaries and us may be subject to United States and foreign withholding taxes. Applicable tax rates in foreign jurisdictions differ from those of the United States, and change

periodically. The extent, if any, to which we will receive credit in the United States for taxes we pay in foreign jurisdictions will depend upon the application of limitations set forth in the Internal Revenue Code of 1986, as well as the provisions of any tax treaties that may exist between the United States and such foreign jurisdictions. Our current or future international operations might not succeed for a number of reasons including:

difficulties in staffing and managing foreign operations;

competition from local recruiting services;

operational issues such as longer customer payment cycles and greater difficulties in collecting accounts receivable;

seasonal reductions in business activity;

language and cultural differences;

legal uncertainties inherent in transnational operations such as export and import regulations, tariffs and other trade barriers;

taxation issues;

changes in trading policies and regulatory requirements;

issues relating to uncertainties of laws and enforcement relating to the regulation and protection of intellectual property; and

general political and economic trends.

Also, if we are forced to discontinue any of our international operations, we could incur material costs to close down such operations.

We depend on our key management personnel.

Our continued success will depend to a significant extent on our senior management. The loss of the services of our executive officers could significantly harm our business, financial condition and operating results. 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 significantly harm our business, financial condition and operating results.

We are influenced by a principal stockholder.

Andrew J. McKelvey beneficially owns all of our outstanding Class B common stock and a large number of shares of our common stock, which, together with his Class B common stock ownership, represents approximately 33% of the combined voting power of all classes of our voting stock as of December 31, 2005. Mr. McKelvey can strongly influence the election of all of the members of our board. He can also exercise significant influence over our business and affairs. This includes any determinations with respect to mergers or other business combinations, the acquisition or disposition of our assets, whether or not we incur indebtedness, the issuance of any additional common stock or other equity securities and the payment of dividends with respect to common stock.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required under generally accepted accounting principles to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible

assets may not be recoverable include a decline in stock price and market capitalization, slower growth rates in our industry or other materially adverse events. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This may adversely impact our results of operations. As of December 31, 2005, our goodwill and amortizable intangible assets were \$735.7 million.

Effects of anti-takeover provisions could inhibit the acquisition of Monster Worldwide by others.

Some of the provisions of our certificate of incorporation, bylaws and Delaware law could, together or separately:

discourage potential acquisition proposals;

delay or prevent a change in control; and

limit the price that investors might be willing to pay in the future for shares of our common stock.

In particular, our board of directors may authorize the issuance of up to 800,000 shares of preferred stock with rights and privileges that might be senior to our common stock, without the consent of the holders of the common stock. Our certificate of incorporation and bylaws provide, among other things, for advance notice of stockholder proposals and director nominations.

There is volatility in our stock price.

The market for our common stock has, from time to time, experienced extreme price and volume fluctuations. Factors such as announcements of variations in our quarterly financial results and fluctuations in revenue could cause the market price of our common stock to fluctuate significantly. In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, some of whom have been granted equity compensation.

The market price of our common stock can be influenced by stockholders' expectations about the ability of our business to grow and to achieve certain profitability targets. If our financial performance in a particular quarter does not meet the expectations of our stockholders, this may adversely affect their views concerning our growth potential and future financial performance. In addition, if the securities analysts who regularly follow our common stock lower their ratings of our common stock, the market price of our common stock is likely to drop significantly.

We face risks associated with government regulation.

As an advertising agency that creates and places print and Internet advertisements, we are subject to Sections 5 and 12 of the Federal Trade Commission Act of 1914, also known as the FTC Act. These sections regulate advertising in all media, including the Internet, and require advertisers and advertising agencies to have substantiation for advertising claims before disseminating advertisements. The FTC Act prohibits the dissemination of false, deceptive, misleading, and unfair advertising, and grants the FTC enforcement powers to impose and seek civil penalties, consumer redress, injunctive relief and other remedies upon advertisers and advertising agencies that disseminate prohibited advertisements. Advertising agencies like us are subject to liability under the FTC Act if the agency actively participated in creating the advertisement, and knew or had reason to know that the advertising was false or deceptive.

In the event that any advertising that we have created is found to be false, deceptive or misleading, the FTC Act could potentially subject us to liability. The fact that the FTC has brought several actions charging deceptive advertising via the Internet, and is actively seeking new cases involving advertising via the Internet, indicates that the FTC Act could pose a somewhat higher risk of liability to advertising distributed via the Internet. The FTC has never brought any actions against us. Other current or new government laws and regulations, or the application of existing laws and regulations may:

significantly dampen growth in Internet usage;

prevent us from offering certain Internet content or services; or

otherwise significantly harm our business, financial condition and operating results.

There are currently few laws or regulations directly applicable to the Internet. The application of existing laws and regulations to our web sites, particularly Monster, relating to issues such as user privacy, security of data, defamation, advertising, taxation, promotions, content regulation, and intellectual property ownership and infringement can be unclear. In addition, we will also be subject to new laws and regulations directly applicable to our activities. Any existing or new legislation applicable to us could expose us to substantial liability, including significant expenses necessary to comply with such laws and regulations, and dampen growth in Internet usage.

The federal CAN-SPAM Act and state anti-spam laws impose certain requirements on the use of e-mail. The implications of these laws have not been fully tested. Portions of our business rely on e-mail to communicate with consumers on our behalf and for our clients. We may face risk if our use of e-mail is found to violate the federal law or applicable state law.

We post our privacy policy and practices concerning the use and disclosure of user data on our websites. Any failure by us to comply with our posted privacy policy or other privacy-related laws and regulations could result in proceedings which could potentially harm our business, results of operations and financial condition. In this regard, there are a large number of legislative proposals before the United States Congress and various state legislative bodies regarding privacy issues related to our business. It is not possible to predict whether or when such legislation may be adopted, and certain proposals, if adopted, could significantly harm our business through a decrease in user registrations and revenues. This could be caused by, among other possible provisions, the required use of disclaimers or other requirements before users can utilize our services.

Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate its transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws or such laws may be modified and new laws may be enacted in the future. Any such developments (or developments stemming from enactment or modification of other laws) may significantly harm our business, operating results and financial condition.

Legal proceedings may significantly harm our business.

From time to time, we may become involved in litigation or other proceedings. It is possible that such litigation or proceedings may significantly harm our future results of operations or financial condition due to expenses we may incur to defend ourselves or the ramifications of an adverse decision.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Substantially all of our offices are located in leased premises.

We occupy approximately 26,000 square feet of space at our principal office location, located at 622 Third Avenue, New York, New York. Including the space that we occupy, we lease a total of 104,000 square feet of space, at our principal office location, under an agreement expiring in July 2015. Monthly payments under the lease agreement are approximately \$463,000. Our former staffing division, now Hudson Highland Group, Inc., subleases approximately 52,000 square feet of space at our principal office location for approximately \$231,500 per month, with the remaining space sublet to another third-party lessee.

We also have leases covering local offices throughout the United States and in the foreign countries where we have operations.

All leased space is considered to be adequate for the operation of our business, and no difficulties are foreseen in meeting any future space requirements.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various legal proceedings that are incidental to the conduct of our business. We are not involved in any pending or threatened legal proceedings that we believe could reasonably be expected to have a material adverse effect on our financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

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

The common stock of the Company is listed on The Nasdaq Stock Market, Inc. ("Nasdaq") under the symbol "MNST." The common stock was first traded on the Nasdaq on December 13, 1996, the day after the underwritten initial public offering of shares of the Company's common stock. Prior to the offering there was no established public trading market for the Company's shares.

As of February 8, 2006, there were 1,483 stockholders of record of our common stock and the last reported sale price of our stock as reported by the Nasdaq was \$47.59.

We have never declared or paid any cash dividends on our stock. We currently anticipate that all future earnings will be retained by the Company to support our growth strategy or to repurchase shares of our common stock. Accordingly, we do not anticipate paying cash dividends on our stock for the foreseeable future. The payment of any future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, future earnings, operations, capital requirements, our general financial condition, contractual restrictions and general business conditions. Our current financing agreement entered into on January 14, 2005, restricts the payment of dividends on our stock. On March 31, 2003, we paid a non-cash dividend consisting of all of the stock of HH Group to our stockholders of record on March 14, 2003.

The information regarding market and market price range of our common stock may be found in "Financial Information by Quarter (Unaudited)" in Item 8 of this Form 10-K.

Issuer Purchases of Equity Securities

The Company has a stock repurchase plan in place that allows it to purchase securities on the open market or otherwise from time to time as conditions warrant. A summary of the Company's repurchase activity for 2005 is as follows:

Period	Total number of shares repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ^(a)
November 10 - November 30		N/A		\$100,000,000
December 1 - December 31	200,000	\$39.53	200,000	\$ 92,093,440
Total	200,000		200,000	\$ 92,093,440

(a) On November 10, 2005, the Board of Directors approved a share repurchase plan, authorizing the Company to purchase up to \$100 million of shares of its common stock. The share repurchase plan expires 30 months from the authorization date.

Issuance of Unregistered Securities

None.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2005 with respect to the Company's equity compensation plans which have been approved by its stockholders. The Company does not have any equity compensation plans that were not approved by its stockholders.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	13,673,023	\$ 27.94	6,266,325
Equity compensation plans not approved by security holders			
Total	13,673,023	\$ 27.94	6,266,325

ITEM 6. SELECTED FINANCIAL DATA

The following tables present selected financial data for the five years ended December 31, 2005 (in thousands, except per share amounts). See Management's Discussion and Analysis, found in Item 7 of this report, for information regarding business acquisitions, discontinued operations, critical accounting policies and items affecting comparability of the amounts below.

STATEMENT OF OPERATIONS DATA:

	2001	2002	2003	2004	2005
Revenue	\$ 719,166	\$ 563,001	\$ 552,098	\$ 756,131	\$ 986,917
Salaries & related, office & general and marketing & promotion	565,250	493,417	500,741	650,345	800,807
Merger & integration and restructuring costs ⁽¹⁾	21,037	3,389			
Business reorganization & other special charges		87,104	45,396		
Amortization of intangibles	7,983	1,712	1,799	7,243	9,693
Total operating expenses	594,270	585,622	547,936	657,588	810,500
Operating income (loss)	\$ 124,896	\$ (22,621)	\$ 4,162	\$ 98,543	\$ 176,417
Income (loss) from continuing operations before accounting change ⁽²⁾	\$ 81,200	\$ (26,123)	\$ (5,230)	\$ 64,895	\$ 115,063
Net income (loss)	\$ 69,020	\$ (534,896)	\$ (81,864)	\$ 73,104	\$ 107,432
Basic earnings (loss) per share:					
Income (loss) from continuing operations before accounting change	\$ 0.74	\$ (0.23)	\$ (0.05)	\$ 0.55	\$ 0.94
Income (loss) from discontinued operations, net of tax	(0.11)	(0.72)	(0.68)	0.07	(0.06)
Cumulative effect of accounting change, net of tax benefit		(3.85)			
Net income (loss)	\$ 0.63	\$ (4.80)	\$ (0.73)	\$ 0.62	\$ 0.88
Diluted earnings (loss) per share:					
Income (loss) from continuing operations before accounting change	\$ 0.72	\$ (0.23)	\$ (0.05)	\$ 0.54	\$ 0.92
Income (loss) from discontinued operations, net of tax	(0.11)	(0.72)	(0.68)	0.07	(0.06)
Cumulative effect of accounting change, net of tax benefit		(3.85)			
Net income (loss)	\$ 0.61	\$ (4.80)	\$ (0.73)	\$ 0.61	\$ 0.86

BALANCE SHEET DATA⁽³⁾:

	2001	2002	2003	2004	2005
Current assets	\$ 1,005,918	\$ 808,546	\$ 566,983	\$ 703,511	\$ 773,059

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

Current liabilities	929,608	799,220	639,995	730,743	696,588
Total assets	2,206,362	1,630,795	1,122,279	1,543,613	1,678,715
Long-term liabilities	47,492	18,136	14,092	57,356	62,452
Total stockholders' equity	1,229,262	813,439	468,192	755,514	919,675

- (1) Net of a \$15,000 fee received in connection with the termination of our offer to acquire HotJobs.com, Ltd. in 2001.
- (2) The Company recorded a non-cash goodwill impairment charge of \$428,374, net of tax during the year ended December 31, 2002. This is recorded as a change in accounting principle.
- (3) Years 2001 through 2004 include assets and liabilities of discontinued operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We make forward-looking statements in this report and in other reports and proxy statements that we file with the SEC. In addition, our senior management might make forward-looking statements. Broadly speaking, forward-looking statements include:

projections of our revenues, income, earnings per share, capital expenditures, capital structure or other financial items;

descriptions of plans or objectives of our management for future operations, products or services, including pending acquisitions and/or dispositions;

forecasts of our future economic performance; and

descriptions of assumptions underlying or relating to the foregoing.

Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements often include words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would," or similar expressions. Do not unduly rely on forward-looking statements. They give our expectations and are not guarantees. Forward-looking statements speak as of only the date they are made, and we might not update them to reflect changes that occur after the date they are made.

There are many factors many beyond our control that could cause results to differ significantly from our expectations. Some of these factors are described in "Item 1A. Risk Factors" of this report.

OVERVIEW

Business

Founded in 1967, Monster Worldwide, Inc. is the parent company of Monster, the leading global online careers property. We also own TMP Worldwide, one of the world's largest recruitment advertising agency networks. Our clients range from Fortune 100 companies to small and medium-sized enterprises and government agencies.

Monster is our flagship brand. Our Monster division operates in 24 countries and accounted for approximately 83% of our total revenue for the twelve months ended December 31, 2005. Monster connects employers with job seekers and offers innovative technology and services that give employers more control over the recruiting process. We have been able to capitalize on Monster's brand and create worldwide awareness by offering online recruiting solutions that we believe are redefining the way employers and job seekers connect. These tools, which include searchable job postings, a resume database and career management content and advice, provide users with more control over the employment process. Monster's job search, resume posting services and basic networking are free to the job seeker. Monster also offers premium career services at a fee to job seekers. Employers and human resources professionals pay to post jobs, search Monster's resume database and use career site hosting and applicant tracking systems and other ancillary services.

Financial Summary

Monster Worldwide has two operating segments: Monster and Advertising & Communications. In 2005, we had strong growth in revenue, net income, earnings per share and operating cash flow. We were able to penetrate deeper into the small and medium sized business markets in 2005 and our international sales force contributed significantly to our increase in revenue. Income from continuing operations increased 77% over 2004 as a result of tight cost controls, increased operating efficiencies across the globe and stronger demand for online recruitment. Net income, which includes the results of

disposed businesses, increased 47% over 2004. We delivered diluted earnings per share growth of 70% in our continuing operations. In 2005, we also made the decision to focus entirely on our recruitment business by disposing of our Directional Marketing division, which was not a part of our growth strategy. As a result, we believe that we are increasingly able to concentrate on growing Monster's revenue and operating margins in each of our markets. Cash flow from operations grew 139% compared to the 2004 period and we ended 2005 with \$320.3 million of cash and cash equivalents and marketable securities on our balance sheet.

Monster's revenue increased 38% compared to 2004 as the global employment environment continued to strengthen and we expanded our presence deeper into overseas markets. In addition, we aggressively focused our attention on our eCommerce product, which allows our clients to manage their recruitment needs online without assistance. Our Monster division now operates in 24 countries and posted revenue growth in each of our markets in 2005. Strong operating leverage and the results of careful cost management in Monster's North American operations yielded an operating margin of 34% for the year. In 2005, our International operations accounted for 23% of our total Monster revenue, compared to 19% in the prior year period. We believe that the International market is a tremendous opportunity for Monster and we are committed to making strategic investments and improving efficiencies in our International business that will result in higher revenue growth and increased operating margins.

Business Combinations

For the period January 1, 2004 through December 31, 2005, we completed six business combinations. There were no significant business acquisitions in the year ended December 31, 2003. Although none of the following acquisitions was considered to be a significant subsidiary, either individually or in the aggregate, they do affect the comparability of results from period to period. The acquisitions and the acquisition dates are as follows:

Acquired Business	Acquisition Date	Business Segment/Region
Military Advantage, Inc.	March 1, 2004	Monster, North America
jobpilot GmbH	April 22, 2004	Monster, Europe
Tickle Inc.	May 21, 2004	Monster, North America
WebNeuron Services Limited (JobsAhead.com)	June 18, 2004	Monster, Asia/Pacific
Emailjob.com SAS	February 11, 2005	Monster, Europe
JobKorea	October 14, 2005	Monster, Asia/Pacific

Discontinued Operations

During the year ended December 31, 2005, we disposed of the following businesses. The results of operations of these businesses and associated disposal costs are reflected as discontinued operations in the consolidated statements of operations for each of the three years in the period ended December 31, 2005 (dollar amounts in thousands):

On June 1, 2005, we sold substantially all of our Directional Marketing division to a private equity firm for net cash consideration of \$49,586 (\$80 million purchase price less working capital and other adjustments and \$2,500 of cash placed in escrow for an 18 month period following the disposition date) and a \$7,000, 3% promissory note due to the Company after 7 years. The sale included our Yellow Pages business in North America and Japan along with our online relocation business. We recognized a loss on the sale of these businesses of \$10,729 (\$1,803 net of tax benefits) in the second quarter of 2005. The loss recorded in connection with this disposition was calculated on net assets that included approximately \$50,000 of goodwill. In the third quarter of 2005, we returned cash consideration of \$657 upon final determination of

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

working capital sold in connection with the disposition. The sale of the Directional Marketing business did not include our Directional Marketing operations in the United Kingdom. Our European Advertising & Communications management will continue to operate that business, and accordingly, those results have been reclassified to our Advertising & Communications operating segment.

On May 2, 2005, we sold our interests in TMP Direct, a direct marketing business, formerly part of our Directional Marketing segment. The business was purchased by GECKO Inc, an entity owned 65% by George Eisele, a director of the Company, for \$2,500 cash, paid at closing plus an amount equal to 50% of TMP Direct's working capital as of the closing date payable on May 2, 2006. George Eisele and another individual shareholder of GECKO Inc. personally guaranteed the May 2, 2006 payment obligation of GECKO Inc. The sale was not considered material and did not include a significant amount of assets. We recognized a pre-tax and after-tax loss on sale of this business of \$551 in the second quarter of 2005.

During the year ended December 31, 2004, we disposed of the following businesses, which are reflected as discontinued operations in the consolidated statements of operations for the years ended December 31, 2004 and 2003:

In December 2004, we sold and disposed of certain Advertising & Communications businesses in Continental Europe, in order to focus more fully on our Monster business. None of these dispositions were considered material or included a significant amount of assets. We recognized a loss on the sale of these businesses of \$7,055 (\$6,234 net of tax) in the fourth quarter of 2004.

On October 5, 2004, we completed the sale of our wholly owned subsidiary US Motivation, Inc., formerly part of our Directional Marketing segment, to General Yellow Pages Consultants, Inc. d/b/a The Marquette Group for \$10,000 cash, subject to a post-closing adjustment. We recognized a pre-tax and after-tax gain on the sale of US Motivation of \$7,413 in the fourth quarter of 2004. In the fourth quarter of 2005, we finalized the post-closing adjustment on our sale of US Motivation and recorded an additional gain of \$1,746 (\$1,135 net of tax) as a component of discontinued operations.

During the year ended December 31, 2003, we disposed of the following businesses, which are reflected as discontinued operations in the consolidated statements of operations for the year ended December 31, 2003:

On August 1, 2003, we terminated our joint venture arrangement with Ninemsn in Australia and New Zealand. Consequently, we have shut down our websites in Australia and New Zealand (Monster.au and Monster.nz) and redirected all traffic to our Monster.com website.

On March 31, 2003, we completed a distribution of the common stock of HH Group as a tax-free dividend to our shareholders. Shareholders of our common stock received one share of HH Group for every 1²/₃ shares of Monster Worldwide, Inc. common stock owned. Prior to the distribution, HH Group was reported as our eResourcing and Executive Search segments.

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

The following amounts relate to the operations of the Company's disposed businesses and have been segregated from continuing operations and reflected as discontinued operations in each period's consolidated statement of operations:

	Year ended December 31,		
	2005	2004	2003
(in thousands)			
Revenue	\$ 23,402	\$ 107,666	\$ 221,700
Income (loss) before income taxes	\$ (10,763)	\$ 12,449	\$ (20,980)
Income tax expense (benefit)	(4,176)	5,422	55,654
Loss from discontinued operations, net of tax	(6,587)	7,027	(76,634)
Pre-tax gain (loss) on sales of discontinued businesses	(9,534)	361	
Income tax benefit	(8,490)	(821)	
Gain (loss) on sales of businesses, net of tax	(1,044)	1,182	
Discontinued operations, net of tax	\$ (7,631)	\$ 8,209	\$ (76,634)

The year ended December 31, 2003 includes a charge to income tax expense in the amount of \$43,034 for the impairment of deferred tax assets in connection with the spin-off of HH Group.

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 1, *Basis of Presentation and Significant Accounting Policies*, of the Notes to Consolidated Financial Statements, included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K. Management believes that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Revenue Recognition

Monster. Our Monster division primarily earns revenue from the placement of job postings on the websites within the Monster network, access to the Monster network's online resume database and other ancillary services. We recognize revenue at the time that job postings are displayed on the Monster network websites. Revenue earned from subscriptions to the Monster network's resume database is recognized over the length of the underlying subscriptions, typically from two weeks to twelve months. Revenue associated with multiple element contracts is allocated based on the relative fair value of the services included in the contract. Unearned revenues are reported on the balance sheet as deferred revenue.

Advertising & Communications. Our Advertising & Communications division derives revenue from job advertisements placed in newspapers, Internet career job boards such as Monster and other media, plus associated fees for related services. Revenue is recorded net of media placement costs, which are passed on to the customer. Revenue is generally recognized upon placement date for newspapers and other print and offline media. Online media revenue is recognized when services are purchased.

Asset Impairment

Business Combinations, Goodwill and Intangible Assets. The purchase method of accounting requires that assets acquired and liabilities assumed be recorded at their fair values on the date of a business acquisition. Our consolidated financial statements and results of operations reflect an acquired business from the completion date of an acquisition. The costs to acquire a business, including transaction, integration and restructuring costs, are allocated to the fair value of net assets acquired upon acquisition. Any excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired is recorded as goodwill.

The judgments that we make in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. We generally use either the income, cost or market approach to aid in our conclusions of such fair values and asset lives. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach ultimately selected is based on the characteristics of the asset and the availability of information.

We evaluate our goodwill annually for impairment or more frequently if indicators of potential impairment exist. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting units. Changes in our strategy and/or market conditions could significantly impact these judgments and require reductions to recorded amounts of intangible assets. Based on impairment tests performed, there was no impairment of goodwill for the three years ending December 31, 2005.

Long-lived assets. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flows estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate.

Income Taxes

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered projected future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that it would be able to realize a net deferred tax asset in the future, in excess of the net recorded amount, an adjustment to the deferred tax asset would increase earnings in the period such determination was made. Likewise, should we determine that we would not be able to realize all or

part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would decrease earnings in the period such determination was made. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. In addition, our filed tax returns are subject to the examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

RESULTS OF OPERATIONS

Consolidated operating results as a percent of revenue follows:

	Years Ended December 31,		
	2005	2004	2003
<i>Statement Of Operations Data:</i>			
Revenue	100.0%	100.0%	100.0%
Salaries and related	43.3%	46.1%	45.8%
Office and general	19.0%	21.0%	24.2%
Marketing and promotion	19.9%	19.9%	21.0%
Business reorganization and other special charges			8.2%
Total operating expenses	82.1%	87.0%	99.2%
Operating income	17.9%	13.0%	0.8%
Interest and other, net	0.6%	-0.1%	-0.2%
Income from continuing operations before income taxes	18.5%	12.9%	0.5%
Income taxes	6.5%	4.3%	1.5%
Losses in equity interests	-0.3%		
Income (loss) from continuing operations	11.7%	8.6%	-0.9%
Income (loss) from discontinued operations, net of tax	-0.8%	1.1%	-13.9%
Net income (loss)	10.9%	9.7%	-14.8%

The Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004

Monster

The operating results of our Monster division for the years ended December 31, 2005 and 2004 are as follows:

(dollars in thousands)

	2005	% of Revenue	2004	% of Revenue	Increase	% Increase
Revenue	\$ 818,271	100.0	\$ 593,909	100.0	\$ 224,362	37.8
Selling, general and administrative	581,243	71.1	433,066	72.9	148,177	34.2
Depreciation and amortization	30,529	3.7	24,875	4.2	5,654	22.7

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

(dollars in thousands)

	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating income	\$ 206,499	25.2	\$ 135,968	22.9	\$ 70,531	51.9
	<u> </u>		<u> </u>		<u> </u>	

Our Monster division's increase in revenue over the prior year was primarily driven by our North American and European operations. North American revenue increased 30.7% and represents 77.1% of our total Monster revenue. The increase in revenue is a direct result of investments we made in our sales force in the latter half of 2004, our expanded reach in overseas markets, strategic acquisitions completed in 2004 and 2005 and improved labor markets in key geographic areas. In addition our

eCommerce product, which allows our clients to service their accounts online without assistance, continues to attract new customers and generate strong revenue. Revenue in our international operations increased 68.8% over 2004 as our acquisitions of jobpilot GmbH in Germany and Emailjob.com in France increased our presence in these two key European markets. In addition, we acquired JobKorea in the fourth quarter of 2005, an online recruitment website in South Korea. The acquisition of JobKorea provides us with a leading presence in one of Asia's largest and emerging online markets. Additional increases in international revenue resulted from our continued investments in sales force expansion and marketing efforts throughout Europe.

Our North American operations accounted for the entire increase in total operating income over the 2004 period. North American management has been diligently managing costs and expanding operating margins. Expenses increased across the division primarily due to the addition of sales force and incremental costs associated with businesses that we acquired. In addition, we increased our marketing and promotion efforts across the division by 30.9% compared to the 2004 period, as we continue to promote the Monster brand and establish ourselves in new emerging markets. Although operating expenses increased in 2005, as a percentage of Monster revenue, these expenses decreased from 77.1% in 2004 to 74.8% in 2005. North American operating income was \$211.3 million for the 2005 period, a 57.5% increase over the prior year. Our international operations posted a \$4.8 million operating loss in 2005, reflecting investments in marketing and additional sales force. As we enter into 2006, management is very encouraged by the potential growth opportunities for our business, particularly internationally.

Advertising & Communications

The operating results of our Advertising & Communications division for the years ended December 31, 2005 and 2004 are as follows:

(dollars in thousands)

	2005	% of Revenue	2004	% of Revenue	Increase (decrease)	% Increase (decrease)
Revenue	\$ 168,646	100.0	\$ 162,222	100.0	\$ 6,424	4.0
Selling, general and administrative	147,308	87.3	152,957	94.3	(5,649)	-3.7
Depreciation and amortization	6,226	3.7	7,073	4.4	(847)	-12.0
Operating income	\$ 15,112	9.0	\$ 2,192	1.4	\$ 12,920	589.4

Advertising & Communications' revenue primarily increased due to higher demand of online and print advertising in North America. Revenue in North America increased 12.5% over the 2004 period, while our international revenue declined 3.6% in 2005, primarily as a result of sluggish levels of help-wanted advertising and a higher unemployment rate in the United Kingdom compared to 2004. The revenue increases in North America were primarily realized in the higher commission online space, while commissions earned on the sales of traditional media have been in decline due to client losses and migration to the Internet. For the year ended December 31, 2005, the division recognized approximately \$25.7 million of revenue related to the sale of certain Monster products to customers, an increase of 93.9% over the \$13.3 million of revenue the division recorded in the same period of 2004.

Operating income increased substantially versus the prior year period primarily due to increased revenue in North America and disciplined management of core operating expenses across all geographic regions. Management is continually analyzing the cost structure of the business to ensure that costs are in line with revenues.

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

Consolidated Operating Expenses and Operating Income

Consolidated operating expenses and operating income for the years ended December 31, 2005 and 2004 are as follows:

(dollars in thousands)

	2005	% of Revenue	2004	% of Revenue	Increase	%
Salaries and related	\$ 427,226	43.3	\$ 348,254	46.1	\$ 78,972	22.7
Office and general	187,204	19.0	158,975	21.0	28,229	17.8
Marketing and promotion	196,070	19.9	150,359	19.9	45,711	30.4
Operating expenses	810,500	82.1	657,588	87.0	152,912	23.3
Operating income	\$ 176,417	17.9	\$ 98,543	13.0	\$ 77,874	79.0

Our Monster division accounted for substantially all of the year over year increase in total operating expenses, stemming mainly from the hiring initiatives we undertook in the latter half of 2004, costs associated with marketing programs and acquisitions. Costs associated with our hiring initiatives mainly reflect increased headcount in sales and support staff and incremental commissions paid to sales staff in connection with the improved revenue base. In addition, we continue to invest in the Monster brand, both in North America and in key international markets. Our marketing and promotion in the 2005 period includes resources allocated to re-brand our jobpilot GmbH properties. Corporate expenses increased \$5.6 million over 2004 mainly due to severance related to former executives and slightly higher salary and related expenses. However, as a percentage of revenue, corporate expenses decreased from 5.2% in 2004 to 4.6% in 2005. We remain committed to analyzing our expense infrastructure to ensure that costs are in line with revenues, especially given the uneven employment market in North America and Europe.

Income Taxes

Income taxes for the years ended December 31, 2005 and 2004 are as follows:

	December 31,		Increase	
	2005	2004	\$	%
Income from continuing operations before income taxes	\$ 182,646	\$ 97,533	\$ 85,113	87.3
Income taxes	\$ 64,186	\$ 32,638	\$ 31,548	96.7
Effective tax rate	35.1%	33.5%		

Our effective tax rates differ from the statutory rate due to the impact of state and local income taxes, certain nondeductible expenses, foreign earnings taxed at different tax rates and valuation allowances. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. In addition, our filed tax returns are subject to the examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Earnings Per Share

Diluted earnings per share increased 41% in 2005, even as diluted weighted average shares outstanding increased by approximately 5.0 million shares over 2004. The share increase is mainly the result of incremental dilution associated with a higher average stock price in 2005, as well as additional share issuances related to stock option exercises. Income from continuing operations was 11.7% of total revenue in 2005, compared to 8.6% in 2004.

The Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003**Monster**

The operating results of our Monster division for the years ended December 31, 2004 and 2003 are as follows:

(dollars in thousands)	2004	% of Revenue	2003	% of Revenue	Increase	%
						Increase
Revenue	\$ 593,909	100.0	\$ 412,796	100.0	\$ 181,113	43.9
Selling, general and administrative	433,066	72.9	317,879	77.0	115,187	36.2
Depreciation and amortization	24,875	4.2	16,056	3.9	8,819	54.9
Operating income	\$ 135,968	22.9	\$ 78,861	19.1	\$ 57,107	72.4

Under slightly improved economic conditions in 2004, our Monster division was able to significantly increase revenue by investing in sales staff and focusing their resources on expanding our customer base to incorporate more regionally located small and medium-sized businesses, particularly in the United States. We began advertising campaigns in the top 28 U.S. markets in 2004 to help capture a larger piece of what we believe to be a \$2 billion help-wanted advertising market for small and medium-sized businesses. In addition, we maintained our emphasis on providing a high level of customer service and were able realize higher client retention rates than in the prior period. In North America, our operations posted strong organic growth and we began to see signs of a stable labor environment evidenced by a significant increase in orders booked by our sales staff versus the prior period. We also continued to see an improvement in our European operations where we are witnessing increased migration toward on-line employment and recruitment tools. Our European operations also benefited in 2004 from our acquisition of jobpilot GmbH in April and a weaker U.S. dollar. All of our 2004 acquisitions, which were made to expand our Monster network, contributed \$60.9 million of revenue to Monster for the year ended December 31, 2004.

Core operating expenses at the Monster division increased primarily due to the addition of approximately 500 sales staff across North America, Europe and the Asia-Pacific region and the effect of acquisitions completed in 2004. Acquisitions contributed \$50.8 million to our core operating expenses for the year ended December 31, 2004. In addition, we continued to promote and market the Monster brand globally. We increased and redirected portions of our marketing and promotion expense in 2004 to attract higher quality traffic to our website and compete head-to-head with local newspapers in the top 28 metropolitan markets in the United States. Amortization of intangibles was up significantly in the 2004 period due to the four acquisitions that we completed in 2004. In total, we recognized \$46 million of amortizable intangible assets in connection with our 2004 acquisitions.

Advertising & Communications

The operating results of our Advertising & Communications division for the years ended December 31, 2004 and 2003 are as follows:

(dollars in thousands)	2004	% of Revenue	2003	% of Revenue	Increase (decrease)	% Increase (decrease)
Revenue	\$ 162,222	100.0	\$ 139,302	100.0	\$ 22,920	16.5
Selling, general and administrative	152,957	94.3	156,329	112.2	(3,372)	-2.2
Depreciation and amortization	7,073	4.4	6,496	4.7	577	8.9
Operating income (loss)	\$ 2,192	1.4	\$ (23,523)	-16.9	\$ 25,715	109.3

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

Advertising & Communication's revenue increased primarily due to stronger help wanted print advertising in North America compared to the prior period. With the discontinuation of our Advertising & Communications businesses in Continental Europe, revenue in North America comprised 46.7% of the segment's business in 2004, while international accounted for the remaining 53.3%. We continued to incentivize our Advertising & Communications division to promote and cross-sell Monster services. As a result, the division recognized approximately \$13.3 million and \$13.2 million of commissions on the sale of certain Monster products for the periods ending December 31, 2004 and 2003, respectively. Revenue in the 2004 period also increased \$9.2 million as a result of a weaker U.S. dollar in the 2004 period.

The weaker U.S. dollar in 2004 increased core operating expenses by \$7.4 million, which was partially offset by lower corporate and technology costs charged to the division and lower amortization expense. The division's North American business was profitable as it focused on and made significant operational improvements to bring costs in line with revenues in the 2004 period. In December 2004, we exited our Advertising & Communications business in certain countries in Continental Europe in order to focus our efforts more fully on our Monster operations. We intend to continue the efforts that began in late 2004, and improve the cost structure of our remaining European operations, which are now primarily located in the United Kingdom.

Consolidated Operating Expenses and Operating Income

Consolidated operating expenses and operating income for the years ended December 31, 2004 and 2003 are as follows:

(dollars in thousands)	2004	% of Revenue	2003	% of Revenue	Increase (decrease)	% Increase (decrease)
Salaries and related	\$ 348,254	46.1	\$ 253,051	45.8	\$ 95,203	37.6
Office and general	158,975	21.0	133,389	24.2	25,586	19.2
Marketing and promotion	150,359	19.9	116,100	21.0	34,259	29.5
Business reorganization and other special charges			45,396	8.2	(45,396)	-100.0
Operating expenses	657,588	87.0	547,936	99.2	109,652	20.0
Operating income	\$ 98,543	13.0	\$ 4,162	0.8	\$ 94,381	2,267.7

The increase in consolidated operating expenses is primarily due to increased headcount at Monster, higher bonus accruals as internal operating targets were exceeded, increased marketing expenditures in North America and Europe, acquisitions and foreign currency translation rates. In addition, our office and general expenses increased as we incurred additional professional fees, primarily related to accounting and Sarbanes-Oxley compliance and higher depreciation expense versus the 2003 period. Our marketing and promotion expenses increased as a result of increased Monster branding efforts across each of our geographic regions. Acquisitions completed in 2004 contributed \$55.8 million to the increase in our consolidated operating expenses. Amortization expense, which is included as a component of office and general, was higher in the 2004 period due to intangibles valued in connection with our purchase acquisitions, particularly for jobPilot and Tickle. In addition, the higher operating expenses include a \$15.1 million increase as a result of a weaker U.S. dollar in 2004.

Income Taxes

Income taxes for the years ended December 31, 2004 and 2003 are as follows:

	December 31,		Increase	
	2004	2003	\$	%
(dollars in thousands)				
Income from continuing operations before income taxes	\$ 97,533	\$ 2,917	\$ 94,616	3,243.6
Income taxes	\$ 32,638	\$ 8,147	\$ 24,491	300.6
Effective tax rate	33.5%	279.3%		

Our effective tax rates differ from the statutory rate due to the impact of state and local taxes, certain nondeductible expenses (including business reorganization and spin-off costs in 2003), foreign earnings taxed at different tax rates and valuation allowances. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. In addition, our filed tax returns are subject to examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Earnings Per Share

Diluted earnings per share were \$0.61 compared to a loss of \$0.73 in the 2004 period. The loss in the 2003 period mainly stems from business reorganization and other special charges we incurred in the first half of that year. Diluted weighted average shares in the 2004 period increased mainly as a result of incremental dilution associated with a higher average stock price in the 2004 period, as well as additional share issuances for stock option exercises. Income from continuing operations was 8.6% of total revenue in the 2004 period, compared to a loss from continuing operations of \$5.2 million in the 2003 period.

Financial Condition

The following table details our cash and cash equivalents, marketable securities and cash flow components:

	Years ended December 31,		
	2005	2004	2003
(in thousands)			
Cash and cash equivalents	\$ 196,597	\$ 198,111	\$ 142,255
Marketable securities	123,747		
Cash and cash equivalents and marketable securities	\$ 320,344	\$ 198,111	\$ 142,255
Percentage of total assets	19.1%	12.8%	12.7%
Cash provided by operating activities of continuing operations	\$ 241,213	\$ 133,232	\$ 28,725
Cash used for investing activities of continuing operations	(301,947)	(129,677)	(35,198)
Cash provided by (used for) financing activities of continuing operations	83,908	100,012	(27,442)
Cash used for discontinued operations and business held for sale	(20,353)	(50,331)	(18,587)
Effect of exchange rate changes on cash and cash equivalents	(4,335)	2,620	3,201

Our principal capital requirements have been to fund (i) working capital, (ii) marketing and development of our Monster network, (iii) acquisitions (iv) capital expenditures and (v) the 2003 spin-off of Hudson Highland Group, Inc. Prior to the sale of our Directional Marketing segment in the second quarter of 2005, our working capital requirements were generally higher in the first half of each year, when payments to major Yellow Page directory publishers were at their highest levels. In addition,

Edgar Filing: MONSTER WORLDWIDE INC - Form 10-K

because of recent business acquisitions and our 2002 and 2003 reorganization initiatives, we have substantial cash commitments over the next several years. These commitments as of December 31, 2005 are as follows (amounts in thousands):

Contractual Obligations (in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Purchase commitments advertising contract ⁽¹⁾	\$ 11,050	\$ 9,579	\$ 1,471	\$	\$
Borrowings under financing arrangement and other notes payable	478	85	170	170	53
Capital lease obligations	255	175	80		
Operating lease obligations	289,272	36,361	68,168	56,995	127,748
Acquisition notes payable	46,323	31,123	14,805	352	43
Total	\$ 347,378	\$ 77,323	\$ 84,694	\$ 57,517	\$ 127,844

(1) Represents contracts for purchases of advertising as well as commitments related to certain marketing programs.

In addition to the cash commitments above, the Company has certain rights and obligations, the amount and likelihood of which are not currently determinable, to acquire a 51% or more interest in its equity investee, ChinaHR, in the event of an initial public offering by ChinaHR or February 1, 2008, whichever comes first.

Historically, we have relied on funds provided by operating activities, equity offerings, short and long-term borrowings and seller-financed notes to meet our liquidity needs. We invest our excess cash predominantly in money market funds, and commercial paper that matures within three months of its origination date and in marketable securities, such as auction rate bonds, which are highly liquid and are of high-quality investment grade with the intent to make such funds readily available for operating and strategic long-term equity investment purposes.

We believe that our current cash and cash equivalents, marketable securities, revolving credit facility and cash we anticipate to generate from operating activities will provide us with sufficient liquidity to satisfy our working capital needs, capital expenditures, meet our investment requirements and commitments and fund our share repurchase activities through at least the next twelve months. Our cash generated from operating activities is subject to fluctuations in the global economy and unemployment rates.

As of December 31, 2005, we had cash and cash equivalents and marketable securities of \$320.3 million, compared to \$198.1 million as of December 31, 2004. Our increase in cash and marketable securities of \$122.2 million in the twelve months ended December 31, 2005, primarily relates to our operating and financing activities offset by cash used for investing activities. Cash provided by operating activities was \$221.6 million for the year ended December 31, 2005 and resulted from \$115.1 million of income from continuing operations and \$108.3 million of net non-cash items, increased by a \$25.4 million change in working capital. Strong revenue, accompanied by tight cost control and operating efficiencies, continually improved operating margins and thus cash flows from operations in 2005. Deferred revenue continued to increase in 2005 and more than offset increases in accounts receivable, displaying our success in driving more business to Monster. Furthermore, the disposition of our Directional Marketing business significantly improved the consistency of our cash flows from operations and its correlation to operating income from quarter to quarter. Cash flow from operating activities in 2005 was decreased by \$19.6 million from cash used in our discontinued Directional Marketing businesses.

We used \$302.7 million of cash for investing activities for the year ended December 31, 2005. The use of cash mainly reflects our net cash purchase of JobKorea for \$89.6 million and Emailjob SAS for \$20.7 million. In addition we paid \$50.1 million for a 40% investment in ChinaHR.com. We have certain rights and obligations, the amount and likelihood of which are not currently determinable, to acquire a 51% or more interest in our equity investee, ChinaHR, in the event of an initial public offering or February 1, 2008, whichever comes first. In the fourth quarter of 2005, we invested \$118.5 million of our cash in marketable debt securities with varying maturity dates. We also paid \$28.6 million of indebtedness related to purchase acquisitions. These uses of cash were substantially offset by \$50.1 million of net cash received from the sale of our Directional Marketing and other businesses. Furthermore, we used \$39.8 million of cash for capital expenditures for the year ended December 31, 2005.

Cash provided by financing activities in the 2005 period consists of \$95.0 million of cash received from employee stock option exercises, slightly offset by \$1.8 million of payments on capitalized lease obligations and other miscellaneous indebtedness. In November 2005, our Board of Directors authorized a share repurchase plan up to \$100.0 million over 30 months. For the year ended December 31, 2005, we used \$7.9 million to repurchase 200,000 shares of common stock under this authorized plan. In addition, during the year ended December 31, 2005, we used cash of \$1.4 million to repurchase shares in connection with a former executive's employment agreement.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On January 14, 2005, we amended and restated the terms of our secured revolving credit facility. The amended and restated credit facility provides for maximum borrowings to be increased from \$100 million to \$125 million at our request under certain conditions and extends the expiration date from April 7, 2006 to June 30, 2008. Under the amended and restated credit facility, loans will bear interest, at our option at either (1) the higher of (a) prime rate or (b) Federal Funds rate plus $\frac{1}{2}$ of 1%, plus a margin determined by the ratio of our debt to earnings before interest, taxes, depreciation and amortization EBITDA as defined in the amended and restated revolving credit agreement or (2) the London Interbank Offered Rate LIBOR plus a margin determined by the ratio of our debt to EBITDA as defined in the amended and restated revolving credit agreement. The amended and restated agreement contains certain covenants which restrict, among other things, our ability to borrow, pay dividends, repurchase our common stock, acquire businesses, distribute assets, guarantee debts of others and lend funds to affiliated companies and contains criteria on the maintenance of certain financial statement amounts and ratios, all as defined in the agreement. At December 31, 2005, the utilized portion of our financing agreement was \$3.5 million for standby letters of credit and \$96.5 million was unused.

We use forward foreign exchange contracts as cash flow hedges to offset risks related to foreign currency transactions. These transactions primarily relate to non-functional currency denominated inter-company funding loans and non-functional currency accounts receivable and non-functional currency indebtedness. We do not trade derivative financial instruments for speculative purposes.

We have interest rate risk primarily related to our short-term investment portfolio. Our short-term investments will produce less income than expected if market interest rates fall therefore our future investment income may fall short of expectations due to changes in market interest rates or we may suffer losses in principal if forced to sell short-term investments which have declined in market value due to increases in interest rates.

We have risks related to our short term investment activities. The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash and cash equivalents and short-term investments in a variety of marketable debt instruments of high quality issuers, including

money market funds, commercial paper, auction rate bonds and bank time deposits. We limit the amount of credit exposure to any one issuer. Our marketable securities are generally classified as available for sale and consequently are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income. As of December 31, 2005, net unrealized losses on these investments were not material.

We also conduct operations in 26 foreign countries, including Australia, Belgium, Canada, China, France, Germany, Ireland, India, Italy, the Netherlands, South Korea, Spain, Sweden and the United Kingdom. For the year ended December 31, 2005, approximately 29% of our revenue was earned outside the United States and collected in local currency and related operating expenses were also paid in such corresponding local currency. Accordingly, we will be subject to risk for exchange rate fluctuations between such local currencies and the dollar.

The financial statements of our non-U.S. subsidiaries are translated into U.S. dollars using current rates of exchange, with gains or losses included in the cumulative translation adjustment account, a component of stockholders' equity. During the year ended December 31, 2005, our cumulative translation adjustment account decreased \$62.8 million, primarily attributable to the strengthening of the U.S. dollar against the Euro, the Swedish Krona and the British Pound.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following are the consolidated financial statements and exhibits of Monster Worldwide,&n